

Accountancy Profession Act 1979
Cap. 281

Directive 6 issued by the Accountancy Board in terms of the Accountancy Profession Act (Cap. 281) - the Accountancy Profession (European Single Electronic Format) Assurance Directive

In exercise of the powers conferred by article 8(2) of the Accountancy Profession Act (hereinafter referred to as "the Act"), the Accountancy Board with the approval of the Minister for Finance and Employment is hereby issuing the following Directive:

Name and commencement date

1. This Directive may be cited as the Accountancy Profession (European Single Electronic Format) Assurance Directive.
2. This Directive will come into force on the eighth (8th) day immediately following the day on which it is published (hereinafter the "Effective Date"). It shall apply to the assurance reports on the annual financial reports and the financial statements included therein, published by issuers whose securities are admitted to trading on a regulated market in the European Union, for financial years beginning on or after 1 January 2021, and fall within scope of the European Single Electronic Format (ESEF).

INTRODUCTORY MEMORANDUM

Introduction

This memorandum provides background to, and explanation of, the Accountancy Profession (European Single Electronic Format) Assurance Directive, being issued by the Accountancy Board as a Directive in terms of the Accountancy Profession Act (Cap 281).

Background

The ESEF is being introduced pursuant to Article 4(7) of the Transparency Directive - Directive 2004/109/EC of the European Parliament and of the Council of 15 December 2004 on the harmonisation of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market and amending Directive 2001/34/EC. ESEF is the new single electronic reporting format for the issuance of annual financial reports to be published by issuers whose securities are admitted to trading on a regulated market in the European Union for financial years beginning on or after 1 January 2020.

Article 4(7) of the Transparency Directive provides that *“With effect from 1 January 2020 all annual financial reports shall be prepared in a single electronic reporting format provided that a cost-benefit analysis has been undertaken by the European Supervisory Authority (European Securities and Markets Authority) (ESMA) established by Regulation (EU) No 1095/2010 of the European Parliament and of the Council¹”*.

ESMA shall develop draft regulatory technical standards to specify the electronic reporting format, with due reference to current and future technological options. Before the adoption of the draft regulatory technical standards, ESMA shall carry out an adequate assessment of possible electronic reporting formats and conduct appropriate field tests. ESMA shall submit those draft regulatory technical standards to the Commission at the latest by 31 December 2016.

Power is delegated to the Commission to adopt the regulatory technical standards referred to in the second subparagraph in accordance with Articles 10 to 14 of Regulation (EU) No 1095/2010.”

In virtue of a Circular issued on 27 January 2021, the Malta Financial Services Authority (MFSA) issued a clarification on the application in Malta of the one-year postponement of the ESEF requirements, as prescribed by the Regulatory Technical Standards of ESEF. Conscious of the difficulties posed by COVID-19 on both Issuers and Auditors, the Listing Authority has approved that Malta as a Member State opts for the postponement of the ESEF requirements by one year. The MFSA furthermore clarified that it will allow Issuers to delay by one year the application of the ESEF requirements. Accordingly, issuers need not prepare the Annual Financial Report in a single electronic reporting format for financial years beginning on or after 1 January 2020. However, if Issuers wished to voluntarily publish their annual financial reports for financial years beginning on or after 1 January 2020 in ESEF, they will have to comply with all the relevant requirements of the Transparency Directive and the Capital Markets Rules.

The ESEF provisions integrated in the Transparency Directive are based on the consideration that a harmonised electronic format for reporting would be very beneficial for issuers, investors and competent authorities, since it would make reporting easier and facilitate accessibility, analysis

¹ OJ L 331, 15.12.2010, p. 84.

and comparability of annual financial reports. ESEF has been specified in Commission Delegated Regulation (EU) 2018/815 of 17 December 2018² supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a single electronic reporting format (“the ESEF Regulation”).

² Corrected by: ► C1 Corrigendum, OJ L 145, 4.6.2019, p. 85 (2019/815) 02019R0815 — EN — 29.05.2019 — 000.001 —

Interpretation

According to the European Commission services' combined reading of the provisions of the Transparency Directive, the Accounting Directive³ and the Audit Directive⁴ – which are subject to national transposition in each Member State, statutory auditors of companies with securities listed on EU regulated markets will have to provide an opinion as follows: (i) an audit opinion stating whether the financial statements included in the annual financial reports give a true and fair view in accordance with the relevant financial reporting framework; and (ii) an assurance opinion stating whether the annual financial report and the financial statements included therein comply with the requirements set out in the ESEF Regulation. For the purpose of this Directive, this will apply from reporting periods beginning on or after 1 January 2021.

The ESEF requirements are summarised as follows:

- i. The annual financial report, including the financial statements, shall be prepared in the Extensible Hypertext Markup Language XHTML format. XHTML does not require specific mechanisms to be rendered in a human-readable format. As a non-proprietary electronic reporting format, XHTML is freely usable;
- ii. In addition, for all International Financial Reporting Standards (IFRS) consolidated financial statements:
 - The disclosures specified in Annex II of the ESEF Regulation shall be marked-up (where those disclosures are present in those IFRS consolidated financial statements);
 - For all markups to the primary statements in those IFRS consolidated financial statements:
 - a. the Extensible Business Reporting Language XBRL mark-up format shall be used. XBRL is machine-readable and allows for the automated consumption of large amount of information. XBRL is well-established and in use in a number of jurisdictions and is currently the only appropriate markup language to mark up financial statements;
 - b. the elements of the core taxonomy specified in Annex VI of the ESEF Regulation with the closest accounting meaning shall be used, unless an extension taxonomy element is created (i.e. if the use of an element in the core taxonomy would misinterpret the accounting meaning) in compliance with Annex IV of the ESEF Regulation (the mark-ups shall comply with the rules provided for in Article 6 of the ESEF Regulation.)
 - c. From reporting periods beginning on or after 1 January 2022, XBRL block tagging will also be required for the notes to the consolidated financial statements.

To satisfy the statutory requirements for the ESEF regulation within the meaning of Article 28(2)(c)(ii) of the Audit Directive and Article 179A(1)(c)(ii) of the Companies Act (Chapter 386 of the Laws Of Malta), the principle standard to be used is the International Standard on Assurance Engagements 3000 (ISAE 3000) (Revised) - Assurance Engagements Other Than Audits or Reviews of Historical Financial Information⁵, subject to amendments specified in this Directive

³ Directive 2013/34/EU of the European Parliament and of the Council of 26 June 2013 on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings, amending Directive 2006/43/EC of the European Parliament and of the Council and repealing Council Directives 78/660/EEC and 83/349/EEC.

⁴ Directive 2006/43/EC of the European Parliament and of the Council of 17 May 2006 on statutory audits of annual accounts and consolidated accounts, amending Council Directives 78/660/EEC and 83/349/EEC and repealing Council Directive 84/253/EEC, which Directive 2006/46/EC was itself amended by Directive 2014/56/EU of the European Parliament and of the Council of 16 April 2014.

⁵ <https://www.ifac.org/system/files/publications/files/ISAE%203000%20Revised%20-%20for%20IAASB.pdf>

and further clarifications specific to ESEF as provided in this Directive.

Responsibilities of the issuer's directors

Besides the issuer itself, the Board of Directors of the issuer is responsible for the preparation of the annual financial report in XHTML format, which includes the financial statements prepared in accordance with the ESEF Regulation.

Furthermore, the Directors of the issuer are responsible for the internal controls they have determined necessary to enable the preparation of the ESEF documents that are free from material non-compliance with the requirements of the ESEF Regulation, whether due to fraud or error.

The Directors' and other officers' duty to provide information to the auditor pursuant to Article 154 of the Companies Act (Cap.386) also applies to the auditor's work on the ESEF documents.

The Directors of the issuer are also responsible for submitting documents (in the form of a so-called submission file) to the National Competent Authority (NCA) and the Officially Appointed Mechanism (OAM), in the manner established by the respective Authorities, in order to fulfil their disclosure obligation pursuant to the requirements of the Capital Markets Rules issued by the MFSA.

Definitions

1. (a) In this Directive, the following definitions shall apply:
 - (1) ‘Core taxonomy’ means the combined set of the taxonomy elements set out in Annex VI of the ESEF Regulation and the following collection of links:
 - (a) presentation linkbase, which groups the taxonomy elements;
 - (b) calculation linkbase, which expresses arithmetic relationships between taxonomy elements;
 - (c) label linkbase, which describes the meaning of each taxonomy element;
 - (d) definition linkbase, which reflects dimensional relationships of the core taxonomy elements;
 - (2) ‘ESEF documents’ means the single file or a container file containing the electronic annual financial report and the audited financial statements which are required to comply with ESEF requirements and may also contain other necessary unaudited electronic documents.
 - (3) ‘ESEF Regulation’ means Commission Delegated Regulation (EU) 2018/815 of 17 December 2018⁶ supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a single electronic reporting format as amended from time to time;
 - (4) ‘Extension taxonomy’ means the combined set of taxonomy elements and the following collection of links, both created by the issuer:
 - (a) presentation linkbase, which groups the taxonomy elements;
 - (b) calculation linkbase, which expresses arithmetic relationships between taxonomy elements;
 - (c) label linkbase, which describes the meaning of each taxonomy element;
 - (d) definition linkbase, which ensures dimensional validity of the resulting XBRL instance document against the extension taxonomy;
 - (5) ‘HTML’ means a Hypertext markup language used to structure and mark up content such as text, images, and hyperlinks in documents that are displayed as Web pages in a Web browser (being a software program that can be used to display XHTML documents).
 - (6) ‘IFRS consolidated financial statements’ means consolidated financial statements prepared in accordance with either IFRS adopted pursuant to Regulation (EC) No 1606/2002⁷ or with IFRS as referred to in point (a) of the first subparagraph of Article 1 of Decision 2008/961/EC⁸;
 - (7) ‘ISAE 3000’ means International Standard on Assurance Engagements 3000 (Revised) - Assurance Engagements Other Than Audits or Reviews of Historical Financial Information, International Framework for Assurance Engagements and Related Conforming Amendments developed and approved by the International Auditing and Assurance Standards Board (IAASB) - December 2013 by the International Federation of Accountants (IFAC);

⁶ Corrected by: ► C1 Corrigendum, OJ L 145, 4.6.2019, p. 85 (2019/815) 02019R0815 — EN — 29.05.2019 — 000.001 — 1

⁷ Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards (OJ L 243, 11.9.2002, p. 1) also referred to in the Accountancy Profession (Accounting and Auditing Standards) Regulations as "international accounting standards as adopted by the EU".

⁸ 2008/961/EC: Commission Decision of 12 December 2008 on the use by third countries' issuers of securities of certain third country's national accounting standards and International Financial Reporting Standards to prepare their consolidated financial statements (notified under document number C(2008) 8218).

(8) 'Issuer' means an issuer as defined in Article 2(d) of Directive 2004/109/EC of the European Parliament and of the Council of 15 December 2004 on the harmonisation of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market and amending Directive 2001/34/EC, and fall within scope of the ESEF Regulation;

(9) 'iXBRL' (long form: 'Inline XBRL') means a text-based markup language that adds mark up syntax ('tags') to XHTML so that additional meta-information can be included in the XHTML document, allowing appropriate software (XBRL reporting software) to transform the XHTML-formatted information into a machine-readable XBRL data record, that give meaning to the figures and statements in a format that can be read by a computer.

(10) 'iXBRL document' (synonymous with the term Inline XBRL instance document in the ESEF Regulation) means an XHTML document with embedded iXBRL markups as defined in the Inline XBRL 1.1 specification, as required by the ESEF Regulation.

(11) 'iXBRL markups' mean the hidden meta-information embedded in the source code of an XHTML document in accordance with the Inline XBRL 1.1 specification, which enables the conversion of XHTML-formatted information into a machine-readable XBRL data record by appropriate software.

(12) 'Linkbases' mean a mechanism in XBRL for associating additional information with taxonomy elements through linking.

(13) 'Mapping' means the assignment of hidden meta-information to XHTML-formatted information required for iXBRL markups.

(14) 'Practitioner' means the designated incumbent statutory auditor/(s) that will be giving an audit opinion on the statutory financial statements of the company for the same financial year, in accordance with Chapter IX of Title I of Part V of the Companies Act (Cap. 386).

(15) 'Submission file' means a container file which is submitted by the issuer to the NCA and OAM for the purpose of publishing the audited ESEF-documents, including the auditor's report.

(16) 'Taxonomy element' means an element defined in a taxonomy that is used for the machine-readable labelling of information in an XBRL data record.

(17) 'XBRL' means eXtensible Business Reporting Language, which is a computer tagging language used to report business information in a machine-readable way.

(18) 'XHTML' means an HTML written as XML. XHTML is a bit stricter than HTML, requiring the HTML code to be well-formed XML.

(19) 'XML' means eXtensible Markup Language, which is a computer language that stores and transports data.

(b) In this Directive, the following terms are used interchangeably:

(1) 'practitioner' and 'auditor';

(2) 'mark-ups' and 'tags'; 'to mark-up' and 'to tag'.

Single electronic reporting format

2. Issuers shall prepare their entire annual financial reports in XHTML format.

Marking up IFRS consolidated financial statements

3. (1) Where annual financial reports include IFRS consolidated financial statements, issuers shall mark up those consolidated financial statements.

(2) Issuers shall, as a minimum, mark up the disclosures specified in Annex II of the ESEF Regulation where those disclosures are present in those IFRS consolidated financial statements.

(3) Issuers may mark up disclosures presented in IFRS consolidated financial statements other than those set out in sub-paragraph 2 of this paragraph.

(4) For markups set out in sub-paragraphs 1, 2 and 3 of this paragraph, issuers shall use the XBRL markup language and shall use a taxonomy in which the elements shall be those set out in the core taxonomy. Where, in accordance with point 4 of Annex IV of the ESEF Regulation, it is not appropriate to use elements in the core taxonomy, issuers shall create extension taxonomy elements as provided for in Annex IV of the ESEF Regulation.

Marking up other parts of the annual financial reports

4. (1) Issuers incorporated in Member States may mark up all parts of their annual financial reports other than those set out in paragraph 3 if they use the XBRL markup language and a taxonomy specific to those parts and that taxonomy is provided by the Member State in which they are incorporated.

(2) Issuers incorporated in third countries shall not mark up any parts of their annual financial reports other than IFRS consolidated financial statements.

Common rules on markups

5. For markups made in accordance with paragraphs 3 and 4, issuers shall comply with the following:
 - (a) embedding of markups in the issuers' annual financial reports in XHTML format using the Inline XBRL specifications set out in Annex III of the ESEF Regulation;
 - (b) requirements on marking up and filing rules set out in Annex IV of the ESEF Regulation.

XBRL Taxonomy files

6. ESMA may publish machine-readable and downloadable XBRL taxonomy files based on the core taxonomy. Those files shall comply with the criteria set out in Annex V of the ESEF Regulation.

Reasonable assurance on markups

7. (1) Issuers are required to include within their annual financial reports an opinion communicating reasonable assurance on the tagging of the consolidated financial statements as per the ESEF Regulation requirements.

(2) To satisfy the statutory requirements for the ESEF regulation within the meaning of Article 28(2)(c)(ii) of the Audit Directive and Article 179A(1)(c)(ii) of the Companies Act (Cap. 386), the principal standard to be used is ISAE 3000, subject to limitations, exclusions and additions **specified in this Directive** and further clarifications specific to ESEF as provided in this Directive.

(3) In order to provide an opinion on whether the financial statements satisfy the ‘relevant statutory requirements’ for the ESEF regulation, statutory auditors shall obtain reasonable assurance about whether the issuers’ annual financial report, including the financial statements, comply in all material respect with the provisions of the ESEF Regulation. Accordingly, only the ‘Reasonable Assurance’ related procedures referred to ISAE 3000 will apply for the ESEF engagement. The same applies to the conclusions and reporting thereon. The ‘relevant statutory requirements’ referred to previously are the following:

- i. The annual financial report, including the financial statements, shall be prepared in XHTML format;
- ii. For all consolidated financial statements that are drawn up in accordance with IFRS as endorsed by the EU or with IFRS as adopted by the IASB;
 - The disclosures specified in Annex II of the ESEF Regulation shall be marked-up, where those disclosures are present in those consolidated financial statements;
 - All mark-ups, including the voluntary mark-ups of disclosures other than those specified in Annex II, shall meet the following requirements:
 - the XBRL mark-up language shall be used;
 - the elements of the core taxonomy specified in Annex VI of the ESEF Regulation with the closest accounting meaning shall be used, unless an extension taxonomy element is created in compliance with Annex IV of the ESEF Regulation;
 - the mark-ups shall comply with the common rules on mark-ups.
- iii. For financial statements other than the IFRS consolidated financial statements:
 - All mark-ups included by the issuer on a voluntary basis or in compliance with national law shall meet the following requirements:
 - the XBRL mark-up language shall be used;
 - a specific taxonomy provided by the Member State in which the issuer is incorporated shall be used;
 - the mark-ups shall comply with the common rules on mark-ups.

(4) The auditor’s procedures to obtain reasonable assurance on the matters referred to in sub-paragraph 3 of this paragraph shall be selected depending on the risks of material misstatement assessed by the auditor. The auditor may decide to rely, to a certain extent, on relevant internal controls put in place by the entity, after having obtained sufficient and appropriate evidence on the operating effectiveness of the relevant internal controls to reduce the extent of substantive procedures.

Subject matter – Single Electronic Report

8. For the scope of this Directive, where the ISAE 3000 makes reference to ‘**Subject matter**’, this shall be in line with the ESEF Regulation (hereinafter referred to as “the ESEF requirements”).

In accordance with the Capital Markets Rules issued by the MFSA, issuers are required to prepare a single electronic “report”, comprising one or several electronic files. It will include, in particular, the financial statements, the directors’ report and the responsibility statements of the persons responsible within the company. The information in those files shall be prepared in XHTML format, which is human-readable, just like a normal webpage. As an additional obligation, where annual financial reports include consolidated financial statements, prepared on the basis of International Financial Reporting Standards (IFRS), the consolidated financial statements will also have to be marked up in accordance with the ESEF taxonomy (which is based on the IFRS Taxonomy) using mark-ups (XBRL tags) and the inline XBRL technology. Ultimately, the mark-ups (also called “tags”) embedded in the report will make the consolidated financial statements also machine-readable. The mandatory mark-ups to the consolidated financial statements shall be those in accordance with the ESEF requirements and as described in the ‘Interpretation’ paragraph in this Directive.

Practitioner is the designated incumbent statutory auditor/(s)

9. For the scope of this Directive, where the ISAE 3000 makes reference to ‘the practitioner’, this shall be the designated incumbent statutory auditor/(s) that will be giving the opinion on the statutory financial statements of the company for the same financial year.

Materiality

10. For the scope of this Directive, section **44** of ISAE 3000 relating to ‘**Materiality**’, apart from the ‘application and other explanatory material’ noted in section 44 (A92-A100) ‘the practitioner’ will also give consideration to the following:
 - Materiality in the context of meeting technical requirements;
 - Materiality used in determining whether all relevant information is tagged; and
 - Materiality used to determine whether information is tagged correctly.

For statutory audit purposes, the auditor defines the materiality with reference to the level of misstatement that could reasonably be expected to influence economic decisions taken by the intended users of the financial statements. In the context of the ESEF assurance report, material misstatements would be those that affect the economic decisions of users made on the basis of the tagged data.

The technical validity of the ESEF documents is a necessary condition for ESEF conformity. Accordingly, it is to be considered of material importance if the technical specifications are not met, preventing users from accessing the human-readable document and/or from processing the machine-readable information.

The auditor will not apply materiality to verify that the annual financial report, including the financial statements, are prepared in XHTML format.

Regarding the marked-up information, the intended users of the information may have specific needs and expectations as regards to the completeness and accuracy of the mark-ups. Whilst the materiality for the marked-up information shall be derived from the materiality at the financial statements' level, it should be adapted to the specificities of the marked-up information. Qualitative and quantitative aspects should be taken into consideration by the auditor to adapt the materiality to assess the compliance with ESEF requirements. Those quantitative and qualitative aspects may include specificities related to the first year of application, by the issuer, of the ESEF requirements. Overall and performance materiality levels calculated for the purpose of this Directive are not expected to be higher than those used for the purpose of the statutory audit of the consolidated financial statements.

Understanding the process for preparing the annual financial report, including the financial statements, in ESEF and related internal controls

11. For the scope of this Directive, sections **45 to 47R** of ISAE 3000 relating to **'Requirements - Planning and Performing the Engagement - Understanding the Underlying Subject Matter and Other Engagement Circumstances'**, apart from the relevant 'application and other explanatory material' referred to in those sections, 'the practitioner' shall also obtain an understanding, in particular, of the following:
 - the process for preparing the annual financial report, including the financial statements, in ESEF including the use of technical (for example IT tools) and human resources and whether the entity outsources partially or totally this preparation to a service provider or uses a management's expert, and
 - the internal controls designed and implemented by the entity to prevent, detect or correct misstatements in the preparation of the financial statements in ESEF.

Obtaining evidence - risk consideration and responses to risks

12. For the scope of this Directive, section **48R** of ISAE 3000 relating to **'Obtaining Evidence - Risk Consideration and Responses to Risks'**, apart from the 'application and other explanatory material' noted in section 48R (A108-A110) 'the practitioner' will also give consideration to:

12.1 Risks of material misstatements attached to the marked-up information

The auditor should identify and evaluate the risks of material misstatements attached to the marked-up information prepared by the issuer. This assessment will be based on the understanding of the process put in place by the issuer to produce the marked-up information, including understanding of the internal control implemented by the entity. Risks attached to the marked-up information may encompass, for example, the following areas:

Completeness

- Not all figures disclosed in the primary financial statements⁹ of the IFRS consolidated financial statements are marked-up;
- Not all the disclosures in the IFRS consolidated financial statements, are marked-up as specified in Annex II of ESEF Regulation;
- Required mark-ups relating to the identification of the entity/*issuer* are omitted;

Because the existence of the tagging for all the figures in the primary financial statements is considered to be essential within the context of the ESEF Regulation, there will be no materiality applied when verifying the existence of the tagging for the figures disclosed in the primary financial statements.

Accuracy

- The marked-up information does not correspond with the human-readable layer of the financial statements;
- Numbers disclosed in the primary statements of the IFRS consolidated financial statements have been marked-up with an inaccurate context (e.g. year or year-end, currency; debit/credit; scaling (i.e. millions/thousands));
- Inappropriate elements from the core taxonomy have been selected;
- A misrepresentation of the accounting meaning of the number or disclosure being marked-up arising from selecting an inappropriate element from the core taxonomy;
- An extension taxonomy element created to mark-up a number in the primary statements is not anchored to the core taxonomy element having the closest wider accounting meaning and/or scope to that extension taxonomy element of the issuer;
- Where an extension taxonomy element combines a number of core taxonomy elements, the issuer has not anchored that extension taxonomy element to each of those core taxonomy elements.

12.1.1 Procedures to respond to the risks identified on the marked-up information

After having assessed the risks of material misstatements, the auditor should define the appropriate responses to ensure that the information prepared by the issuer complies with the ESEF requirements.

The auditor should select the appropriate procedures and define the appropriate sample size for the substantive procedures to be performed, taking into consideration the performance materiality on the various items composing the financial statements. Such procedures could primarily involve developing an independent expectation for the appropriateness of the mark-ups, including related anchoring if applicable, used by an issuer to mark-up its consolidated financial statements.

The auditor may also decide to rely, to a certain extent, on relevant internal controls put in place by the issuer, after having obtained evidence on the effectiveness of the relevant internal controls, to reduce the subsequent substantive procedures.

⁹ **Primary (financial) statements encompass the statement of financial position, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows.**

12.2 Risks relating to the material importance associated with the technical specifications and the auditor's procedures to respond to these risks

The auditor shall obtain sufficient appropriate evidence as to whether the ESEF documents meet the technical validity requirements of the ESEF Regulation.

The auditor shall base the assessment of technical validity always on the ESEF documents as a whole, i.e. on the file containing the ESEF documents or, if the technical specification requires so on a combination of files. A limitation to parts of a file is not appropriate.

The technical validity of the ESEF documents is given, if the ESEF documents are prepared in an XHTML format, and that technically and formally comply with the requirements mentioned in Annex III of the ESEF Regulation and thus software can read and process the ESEF documents without errors.

The technical validity requires that the individual files contained in ESEF documents comply with the requirements of the underlying technical specifications with regard to the type of coding, the arrangement of the data within a data format and the links between the data.

12.3 General considerations with respect to Obtaining Evidence - Risk Consideration and Responses to Risks

For the purpose of obtaining audit evidence, the auditor may use the work of an expert to benefit from specialised information technology expertise, without reducing the auditor's responsibility in the opinion expressed in accordance with sections 52 – 55 of ISAE 3000.

The implementation of the selected procedures should allow the auditor to obtain sufficient appropriate evidence regarding the compliance of the marked-up information with the ESEF requirements.

For the avoidance of doubt, **the auditor is not being required to provide an opinion on the internal control process of the tagging system.**

The auditor's work to obtain reasonable assurance about whether the annual financial report, including the financial statements, comply in all material respects with the ESEF RTS, will often be conducted using audit software. This allows automated checking (with the use of an XML and XBRL validator) that the technical specifications that apply to the specific reporting have been met. In addition, such software can prepare human-readable reports that allow the auditor to check the completeness and accuracy of the tagging (including meta-information and technical matters related to the taxonomy extensions) and assess any deviations from the technical specifications.

Assurance report

13. For the scope of this Directive, when ‘the practitioner’ is considering the following sections in ISAE 3000, which all relate to the Assurance Report:
- a. Forming the Assurance Conclusion (sections 64-66),
 - b. Preparing the Assurance Report (sections 67,68) and
 - c. Preparing the Assurance Report - *Assurance Report Content (section 69)*,
 - d. Preparing the Assurance Report - *Reference to the Practitioner’s Expert in the Assurance Report (section 70)*,
 - e. Preparing the Assurance Report - *Assurance Report Prescribed by Law or Regulation (section 71)*,
 - f. Unmodified and Modified Conclusion (section 72-77),

‘the practitioner’ shall also ensure to include the following specific ESEF matters/*requirements*:

- Taking into account the materiality defined, the auditor shall express an opinion in a positive form on the compliance of the marked-up information with the ESEF requirements. Accordingly, a reasonable assurance conclusion is required in line with paragraph 7 of this Directive;
- In cases where the mark-ups are materially misstated, the auditor should express a qualified or adverse opinion regarding this compliance. The conclusion will depend on the severity and pervasiveness of the misstatement(s);
- A disclaimer of opinion on this compliance shall be expressed, when the auditor is unable to obtain sufficient appropriate evidence on the issuer’s compliance with the ESEF requirements; and
- To report specifically on the work performed on ESEF and reference clearly the files which were subject of the examination in this reporting.

The conclusion on the compliance by the issuers with the ESEF requirements, shall be **provided in the same audit report** on the financial statements (in accordance with Article 179B of the Companies Act (Cap. 386), in a section which is clearly separated from the audit opinion titled ‘**Report on other Legal and Regulatory requirements**’.

Completion process

14.1 In the absence of technology to digitally sign an XHTML/iXBRL annual financial report, without causing validation errors, the auditor’s report shall be physically printed and signed with wet ink and forwarded by the auditor to the Issuer exclusively for the Issuer’s records.

14.2a In order to authenticate and identify the audited version of the ESEF documents, containing the annual financial report prepared in accordance with the requirements of the ESEF Regulation, a *Document ID** would be used.

14.2b For the purpose of authenticating and identifying the final and audited ESEF documents, the *Document ID* of the audited version of the ESEF documents will be included:

- In the Issuer’s Certification Statement, which certifies that the ESEF documents have been authorised for issue and signed by the Company Secretary and by two members of the board;

- In the Letter of representation issued by the Issuer to the auditor; and
- In the Covering letter, sent by the auditor to the Issuer, which accompanies the signed auditor's report, as per paragraph 14.1.

For the avoidance of doubt, the *Document ID* will not be included in the auditor's report. So however that, the combination of the *Document ID* and the physically printed wet ink signature on the audit report forwarded by the auditor to the Issuer exclusively for the Issuer's records, shall constitute the signature required by article 179A(3) of the Companies Act (Chapter 386 of the Laws of Malta).

**A Document ID is an integer value or code that is generated through a hashing algorithm, thereby assigning a unique value to an object or file.*
