





“Auditor’s verification of a management report: implementation of European experience in Ukrainian banks in crisis conditions”

AUTHORS	Inna Makarenko  https://orcid.org/0000-0001-7326-5374  http://www.researcherid.com/rid/AAE-8453-2020 Serhiy Makarenko  https://orcid.org/0000-0001-6455-3585
ARTICLE INFO	Inna Makarenko and Serhiy Makarenko (2020). Auditor’s verification of a management report: implementation of European experience in Ukrainian banks in crisis conditions. <i>Accounting and Financial Control</i> , 3(1), 1-10. doi: 10.21511/afc.03(1).2020.01
DOI	http://dx.doi.org/10.21511/afc.03(1).2020.01
RELEASED ON	Wednesday, 03 June 2020
RECEIVED ON	Tuesday, 28 April 2020
ACCEPTED ON	Monday, 25 May 2020
LICENSE	 This work is licensed under a Creative Commons Attribution 4.0 International License
JOURNAL	"Accounting and Financial Control"
ISSN PRINT	2543-5485
ISSN ONLINE	2544-1450
PUBLISHER	LLC “Consulting Publishing Company “Business Perspectives”
FOUNDER	Sp. z o.o. Kozmenko Science Publishing



NUMBER OF REFERENCES

25



NUMBER OF FIGURES

0



NUMBER OF TABLES

1

© The author(s) 2024. This publication is an open access article.



BUSINESS PERSPECTIVES



LLC “CPC “Business Perspectives”
Hryhorii Skovoroda lane, 10,
Sumy, 40022, Ukraine
www.businessperspectives.org

Received on: 28th of April, 2020
Accepted on: 25th of May, 2020
Published on: 3rd of June, 2020

© Inna Makarenko,
Serhiy Makarenko, 2020

Inna Makarenko, Doctor of Economics,
Associate Professor, Accounting and
Tax Department, Sumy State University,
Ukraine. (Corresponding author)

Serhiy Makarenko, Chief Auditor, AF
LLC “Sumycoop-audit”, Sumy, Ukraine.



This is an Open Access article,
distributed under the terms of the
[Creative Commons Attribution 4.0
International license](https://creativecommons.org/licenses/by/4.0/), which permits
unrestricted re-use, distribution, and
reproduction in any medium, provided
the original work is properly cited.

Conflict of interest statement:
Author(s) reported no conflict of interest

Inna Makarenko (Ukraine), Serhiy Makarenko (Ukraine)

AUDITOR’S VERIFICATION OF A MANAGEMENT REPORT: IMPLEMENTATION OF EUROPEAN EXPERIENCE IN UKRAINIAN BANKS IN CRISIS CONDITIONS

Abstract

The research is devoted to the analysis of the European and Ukrainian experience of banks’ management report audit assurance, the disclosure of the national features of such assurance using the case study of 75 state-owned banks, banks with private and foreign capital in Ukraine, and the specific features of audit verification of this report in the current crisis conditions. It was discovered that the requirements of national regulatory documents and guidelines for preparing a management report for banking institutions generally comply with the European approaches, particularly with Directive 2014/95/EU, Directive 2013/34/EU, and Directive 2014/56/EU (Legislation of EU, 2013, 2014). However, specific national requirements for the content of the report and the procedure for its audit are duplicated, intersect, and create inaccuracies in the disclosure of non-financial information by banks. Besides, the requirements for the reflection of the information on the management report in the independent auditors’ report of the studied banks of Ukraine are partially met. The common challenges for accounting and audit support for the management report for Ukrainian and European banks are disclosed in terms of the current crisis caused by global health risks and their economic consequences for banks.

Keywords

management report, audit, verification, bank
sustainability reporting

JEL Classification

M40, M41

INTRODUCTION

A management report, which can be considered the first step for banks in preparing the sustainability reporting (non-financial reporting), is a new category of Ukraine’s accounting and audit legislation. In 2018, banking institutions first made public and audited management reports, and their preparation and verification covers only 2018–2019. This fact caused certain problematic aspects in the development of a methodology for preparing them and conducting the audit in banks. These aspects became deeper in fiscal 2020, taking into account the crisis state of the Ukrainian economy and the implementation of restrictions on the banking system and financial reporting system, and its assurance due to the restrictive measures to prevent a pandemic.

In any case, the emergence of a new reporting form in banks’ activities should primarily be associated with the following factors:

- 1) the European integration intentions of Ukraine, the signing of the Association Agreement (Article 422 on promoting corporate social responsibility and Appendix XXXV to section 13 “Legislation on the Establishment and Activities of Companies, Corporate

Management, Accounting and Audit” to ensure the compliance of national legislation in this field to the European one) (EEAS, 2014);

- 2) the need to increase transparency and accountability of the business as a whole and the banking sector in particular through the disclosure of additional financial and non-financial information that allows stakeholders to fully evaluate the indicators of financial reporting.

The key European documents regulating the preparation and audit of a bank management report are as follows: 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, Directive 2014/95/EU of the European Parliament and of the Council of October 22 2014 amending Directive 2013/34/EU as regards disclosure of non-financial and diversity information by certain large undertakings and groups. The management report is introduced by Directives 2013/34/EU and 2014/95/EU as one of the non-financial reports, along with the country’s corporate governance report and the payments report. Directive 2013/34/EU defines the issue of assurance of the management report by auditors in European legislation. The classification of banks as categories of entities, which are legally obliged to pass the audit, is regulated by Directive 2014/56/EU (Legislation of EU, 2013, 2014).

In Ukraine, the requirements for preparing and submitting a bank management report in accordance with the requirements of the European Directives are provided by the following documents: the Law of Ukraine “On Accounting and Financial Reporting in Ukraine” as of July 16, 1999, No. 996-XIV (Legislation of Ukraine, 1999); the Procedure for the submission of financial statements approved by Cabinet of Ministers of Ukraine as of February 28, 2000, No. 419 (Cabinet of Ministers of Ukraine, 2000); the Guidelines for the Preparation of Financial Statements of Ukrainian Banks (Decree of the NBU as of October 24, 2011, No. 373) (NBU, 2011); the Guidelines for the Preparation of a Management Report, approved by the Order of the Ministry of Finance of Ukraine as of December 07, 2018, No. 982 (Cabinet of Ministers of Ukraine, 2018); the Law of Ukraine “On Securities and Stock Market” as of February 23, 2006, No. 3480-IV (Legislation of Ukraine, 2006); Regulation on Disclosure of Information by Issuers of Securities of the company as of December 03, 2013, No. 2826 (Legislation of Ukraine, 2013).

The management report audit requirements are stated in both the Law of Ukraine “On the Audit of Financial Statements and Audit Activities” as of December 21, 2017, No. 2258-VIII (Legislation of Ukraine, 2018) and in the Guideline for the Preparation of Financial Statements of Ukrainian Banks (NBU, 2011).

At the same time, the requirements of these documents and regulators for banking institutions are duplicated, intersected, and create inaccuracies in understanding the approaches to their disclosure in the management report and its audit. Some challenges of accounting and audit support for the management report are common for Ukraine and the EU due to the current crisis caused by global health risks and their economic consequences for banking institutions, which directly affect the state of making public and auditing not only the management report but also basic financial reporting forms.

The research is devoted to the analysis of the European and Ukrainian experience of audit verification of a bank management report, the disclosure of the national features of such assurance based on a case study of 75 state-owned banks, banks with private and foreign capital in Ukraine, and the specific features of audit verification of this report in the current crisis conditions.

The content of the research is disclosed in such units as literature review, a comparison of the Ukrainian and European regulatory framework for the preparation and audit of a bank management report, specific features of audit reports of Ukrainian banks management, and the specific feature of the audit of this report in crisis conditions.

1. LITERATURE REVIEW

The academic research on the audit assurance of entities' sustainability reporting allowed grouping them according to the following substantive criteria:

- recognition of the importance of audit assurance of sustainability reporting to achieve the legitimacy by reporting entities (Omran & Ramdhony, 2015; O'Dwyer, Owen, & Unerman, 2011; Adams & Evans, 2004; Adams, 2004);
- meeting the requests for information of various groups of stakeholders, increasing their trust, managing the relationships with them, improving the quality of communications, and creating a positive image of the company, the reliability of their sustainability reporting (Morimoto, Ash, & Hope, 2004; Simnett, 2012; Deegan, Cooper, & Shelly, 2006; Simnett, Vanstraelen, & Chua, 2009);
- disclosure of the specific features of providing audit assurance of sustainability reporting, depending on the selected providers of audit assurance, the size and country of the reporting entities, and the features of country's legal and regulatory framework (Kolk & Perego, 2010; Simnett, 2009; Perego, 2009).

An analysis of these scientists' best practices showed that not enough attention is paid to the audit of the management report as a form of sustainability reporting in general and the specific features of the audit of such reports by banking institutions in particular. The abovementioned determines the importance of studying the audit assurance features of the management report as a form of bank sustainability reporting, considering the best practices in this area. The European experience is such an experience for Ukrainian banking institutions, taking into account the European integration vector.

Besides, these studies require updating due to the emergence of new risks for the concept of business continuity activities of Ukrainian and European banks and its reflection in the management report in global crisis conditions and pandemic.

2. BANK'S MANAGEMENT REPORT: EU-UKRAINE NORMATIVE BASE

The status determination of banks precedes the regulatory framework analysis for preparing management reports of Ukrainian and European banks as reporting entities.

According to the provisions of the Law of Ukraine "On Accounting and Financial Reporting", the bank is a public interest entity. Besides banks, public interest entity include: "enterprises which are securities issuers and whose securities are admitted to trading on stock exchanges or a public offer has been made on their securities; banks; insurers, non-governmental pension funds; other financial institutions (excluding other financial institutions and non-governmental pension funds related to microenterprises and small enterprises) and enterprises which, according to the Law, belong to large enterprises" (Legislation of Ukraine, 1999).

Some Ukrainian banks comply with the quantitative and cost criteria of this Law and Directive 2013/34/EU and are considered large by definition. Besides, Ukrainian banks are joint-stock companies, securities issuers, and, therefore, have additional obligations on disclosure, which are established for such categories of reporting entities (Legislation of EU, 2013).

Such status features oblige the banks, in light of the European legislation, to prepare and disclose a management report and other forms of non-financial reporting in compliance with the Directive 2014/95/EU, Directive 2013/34/EU, and to conduct a statutory audit in compliance with the requirements of Directive 2014/56/EU and Commission Recommendation as of 16 May 2002, 2002/590/EU "Statutory Auditor's Independence in the EU: A Set of Fundamental Principles" (Legislation of EU, 2013, 2014).

According to the Ukrainian legislation, a management report is submitted by the following entities:

- all companies (excluding banks, budgetary institutions, micro and small enterprises) to the statistical authorities and the state fiscal service in compliance with the requirements of the Law of Ukraine “On Accounting and Financial Reporting in Ukraine” as of July 16, 1999, No. 996-XIV (Legislation of Ukraine, 1999), the Procedure for the submission of financial statements approved by Cabinet of Ministers of Ukraine as of February 28, 2000, No. 419 (Cabinet of Ministers of Ukraine, 2000) and Guidelines for the Preparation of a Management Report, approved by the Order of the Ministry of Finance of Ukraine No. 982 (Cabinet of Ministers of Ukraine, 2018). Banks, in this case, are subject to the general rule of submitting a management report to the statistical authorities, the specific requirements for their reports are established by the National Bank of Ukraine (NBU);
- banks to the National Bank of Ukraine in accordance with the requirements of the Guidelines for the Preparation of Financial Statements of Ukrainian Banks (Decree of the NBU as of October 24, 2011, No. 373) (NBU, 2011);
- banks as securities issuers to the National Securities and Stock Market Commission in compliance with the requirements of the Law of Ukraine “On Securities and Stock Market” as of February 23, 2006, No. 3480-IV (Legislation of Ukraine, 2006) and Regulation on Disclosure of Information by Securities Issuers of the company as of December 03, 2013, No. 2826 (Legislation of Ukraine, 2013).

Such a significant number of authorities reviewing the reports and terminological inconsistencies (the parallel existence of such reports (*management report* (requirements of the Ministry of Finance and NBU) and *management statement* (requirements of the National Securities and Stock Market Commission)) for different regulators creates additional uncertainty for banks and does not contribute to improving the quality of their information disclosure and the transition to the European requirements.

3. BANK’S MANAGEMENT REPORT VERIFICATION BY AUDITORS

Article 34 of Directive 2013/34/EU (Legislation of EU, 2013) contains requirements for auditing the reporting of public interest entities, medium and large entities, including the consistency of the management report (consolidated management report) with the financial statements of the same financial year, compliance with legal requirements, and the availability of significant distortions and the causes of such distortions.

The transposition of the abovementioned requirements into the legislation of the member countries is mainly a direct transfer of these provisions with some exceptions.

The audit assurance of the management report takes the form of assurance of such a report by the auditor in most member countries. Only certain countries (Belgium, Bulgaria, Denmark, Latvia, the Netherlands, Romania, and Iceland) have requirements of national legislation on the audit assurance of the accuracy and consistency of information disclosed by companies in the management report.

The legislation of France, Greece, Italy, and the Netherlands indicates the requirements in more detail. Indeed, in France, the cost and quantitative thresholds for conducting an audit of a management report have been set (more than 500 employees in a company, turnover exceeding EUR 100 million, or a book value exceeding EUR 100 million). In Italy, in addition to assurance of the availability of a management report, the auditor must review its content. In the Netherlands, the auditor checks not only the accuracy and consistency of the management report but also identifies significant distortions.

Table 1 summarizes the approaches of the EU member states on the used terminology, the procedure for the submission, making public and audit of the management report, which are also valid in the current crisis conditions.

The audit of a management report in Ukraine is regulated by the Law of Ukraine “On the Audit

Table 1. National approaches to the transposition of EU Directives on the audit of a management report by member countries

Source: Compiled by the authors based on Member State Implementation of Directive 2014/95/EU (Accountancy Europe, 2017).

Standards of assurance	Countries
The availability of a report	Austria, Croatia, Cyprus, the Czech Republic, Estonia, Finland Germany, Greece, Hungary, Ireland, Italy, Lithuania, Luxembourg, Malta, Poland, Portugal, Slovakia, Slovenia, Spain, Sweden, Norway*
Validation and consistency as part of the report review	Belgium, Bulgaria, Denmark, Latvia, the Netherlands, Romania, Iceland
Other assurance	Greece, Italy, the Netherlands

Note: * EEA countries.

of Financial Statements and Audit Activities”. According to Section 3 of Article 14 of this Law, “the audit report based on the results of the statutory audit should at least include the following information: on the consistency of the management report (consolidated management report), which is prepared in compliance with the law, with financial statements (consolidated financial statements) for the reporting period; on the presence of distortions in the management report and their nature”.

Another regulatory document that has the requirements for an audit of management report is the Guidelines for the Preparation of Financial Statements of Ukrainian Banks (Decree of the NBU as of October 24, 2011, No. 373) (NBU, 2011). According to the requirements of this Guidelines, “in its report, the audit firm by the results of the annual audit of the financial statements, reflect the information on the consistency of the management report with the financial statements for the reporting year, the compliance of the management report with the requirements of the legislation, the presence of significant distortions in the management report and their nature”.

As can be seen, the requirements of the Law and the Guidelines for the content of the audit report coincide in this case. However, establishing the compliance of the management report with the requirements of the law slightly expands the report of the independent auditors of banks, in contrast to the report of independent auditors of enterprises regarding assurance of the management report.

In general, such requirements for preparing the audit report on the management report in Ukraine directly agree with the approaches of the EU member states.

It is necessary to name the following specific features of making public a bank’s management report verified by the auditor:

- “the bank is obliged not later than April 30, following the reporting year, to publish the annual financial statements and annual consolidated financial statements together with the audit report by publication in periodicals and/or distribution as separately printed publication or posting on the Internet;
- the bank prepares and submits the management report to the National Bank of Ukraine together with the annual financial statements. The management report supplements the financial statements with information about current, past and future events to provide holistic information to users of financial statements that will help to evaluate the results of the bank activities and its management in accordance with the stated strategic plans;
- the banks are obliged to disclose not only economic, environmental, and social aspects but also the employment issues, respect for human rights and combating corruption in case if the average number of their employees exceeds 500 people on the reporting date” (Guidelines for the Preparation of Financial Statements of Ukrainian Banks) (NBU, 2011).

The latter feature harmonizes the regulatory field for the preparation and audit of a bank management report with the requirements of Directive 2014/95/EU on the preparation of a non-financial report by large entities. Moreover, if bank prepares a separate report on the same financial year, regardless of whether the bank uses national, pan-European or international framework ap-

proaches and covers the necessary information for a non-financial report, such may be exempted from the preparing a non-financial report provided that such a separate report is published together with the management report.

A comprehensive study of 75 management reports posted on the websites of Ukrainian banks in 2018 by such legally defined groups as banks with state participation (5 banks), banks of foreign banking groups (20 banks) and banks with private capital (50 banks) were conducted according to the criteria as follows:

- checking the availability of the report of independent auditors;
- existence of significant distortions in the bank management report;
- approval of management report with financial statements;
- compliance of the management report with legal requirements (in particular, the NBU Guidelines);
- status of an audit company.

The first three criteria correspond to the requirements of the Law of Ukraine “On the Audit of Financial Statements and Auditing Activities” (Legislation of Ukraine, 2018), the Guideline for the Preparation of Financial Statements of Ukrainian Banks (NBU, 2011) and Directive 2013/34/EU (Legislation of EU, 2013). The latter gives an idea of the specific features of checking the management report depending on the audit company status.

Assurance of the report of independent auditors showed 100% compliance by Ukrainian banks with legal requirements. Auditors mainly include information on the management report’s assurance in the conclusion of general financial statements as part of other information to be verified support.

An audit of significant distortions in the bank management report demonstrated their absence in all analyzed bank reports.

Forty-seven percent (47%) of reports have information on the assurance of the compliance of the management report to the financial statements of the bank, the rest of the audit reports do not provide such information.

Auditors recorded the compliance of the management report with the requirements of the legislation (in particular, with the NBU Guideline) in 50.1% of the analyzed reports.

By the criterion of the status of an audit company, 26 reports were verified by the auditors of the Big Four, and it is 35% of all audited reports. The rest of the reports were verified by Ukrainian audit companies of the second tier. At the same time, the audit company’s status, based on a combination of other criteria, does not affect the quality of the auditor’s assessment of the report.

4. SPECIFICITY OF BANK’S MANAGEMENT REPORT VERIFICATION IN CRISIS CONDITIONS

In current crisis conditions, the preparation and audit of a management report of European and Ukrainian banks, as well as a complete set of financial statements together with the report of independent auditors, require a particularly balanced approach.

A bank management report, which characterizes the prospects of the bank’s development and risks, should most fully reflect the impact of the current situation on such activities and the reliability of this report by auditors.

First of all, those mentioned above relate to the complete set of bank reporting and management reports for 2019 (to a lesser extent) and 2020 (to a greater extent). The management report for 2019 is affected by the crisis mainly only after the preparation and publication (banks reporting for fiscal year 2019 should be published until April 30, 2020, while the preparation of the bank management report for 2020 is affected by the risks and uncertainties caused by the economic crisis due to pandemic).

According to experts of Accountancy Europe (formerly called the European Federation of Accountants), the economic effects caused by COVID-19 spreading strongly affect accounting, reporting, and audit reporting (Accountancy Europe, 2020).

The key effects include an assurance by management personnel and the reflection of the concept of enterprises activities continuity in their reports. Auditors should be able to verify the reliability of the reporting entities of the scenario analysis of sensitivity and its ability to carry out their activities in the face of uncertainty that is growing and the availability of additional disclosure of information on these issues in the management report.

Besides, the detailed attention of management personnel should be paid to the impact of disclosing global health risks on the banks' activities and such activities forecasting. In particular, auditors should reflect on the difficulties the management personnel face while preparing future forecasts taking into account social tensions, using professional judgment and skepticism with a high degree of caution.

Auditors should also make sure that the information disclosed in the management report by the bank management properly describes the activity prospects, specific features of exchange risk management, interest rate risk management, liquidity risk, and their impact on users of financial statements.

While auditing the bank management report, special attention of the auditors is paid to the approaches to the establishing the reserves for loan impairment (both consumer and corporate ones), the risks of loan default due to the significant deterioration in the solvency of borrowers in conditions of quarantine and crisis events.

The impact of the current situation on the business model of banks under audit, their transactions, schedule of report preparing, reporting disclosure, and audit schedule connected with this should be discussed in detail by the auditors with management personnel. Based on the agreed consequences of such an impact, audit procedures should include certain planned actions in case of emergency

and a significant risk of delays in the preparation of reports and its testing.

Some opinion on the impact of the crisis on auditing was published by the Australian Accounting Standards Board (AASB) and the Australian Auditing and Assurance Standards Board (AUASB).

Organizations name the key challenges for preparing the company reporting according to the results of last year and their impact on management information. They are as follows:

- assessing the significance of the impact of the global pandemic and crisis on the state and prospects of enterprise development;
- the necessity for adjusting financial statements in connection with these events;
- assessment of the risks of the current crisis and their impact on business continuity;
- the disclosures made in the financial statements and management report by management personnel are sufficient, and if not, what effect will this have on the auditor's opinion;
- do existing restrictions of auditors' work affect their ability to properly and fully provide an audit report? (AASB-AUASB, 2020).

In Ukraine, certain easing has also been taken at the legislative level in terms of the preparation of financial statements, the management report by banks and other reporting entities and their audit in connection with the crisis.

In particular, on March 30, 2020, the Verkhovna Rada of Ukraine adopted an anti-crisis law "On Amendments to Certain Legislative Acts to Provide Additional Social and Economic Guarantees in Relation to the Spreading of Coronavirus Disease (COVID-2019)", according to which the reporting entities are exempted from penalties for the late publication of financial statements, consolidated financial statements together with an audit report. A list of such reporting for companies, institutions, and organizations includes the management report (Legislation of Ukraine, 2020).

In particular, Section V of “Final Provisions” of the Law of Ukraine “On Accounting and Financial Statements in Ukraine” (Legislation of Ukraine, 2018) was supplemented by a new item 12 of the following content:

Persons responsible for the timely submission and publication of the financial statements determined by Section 11 of this Law shall be exempt from liability for failure to meet the time limit for the publication of the financial statements for 2019 or the consolidated financial statements for 2019 together with the audit report in case if such statements are published during the quarantine period that was set to prevent the spread of the coronavirus disease COVID-19 in Ukraine, or

within 90 calendar days from the day following the day after the end of the quarantine period, but no later than December 31, 2020. Enterprises that are securities issuers should submit their reports within the period determined by item 7 of Section VII of “Final Provisions of the Law of Ukraine “On Securities and Stock Market”, but no later than December 31, 2020.

The exemption from administrative responsibility provided in Article 16416 of the Code on Administrative Offenses also has a positive effect on the audit of the financial statements as a whole and the bank management report in particular, since they extend the due date of preparation and improve the quality of published audit reports.

CONCLUSION

Firstly, there is a lack of disclosure of the topic of preparing a bank management report and its audit in scientific sources, which mainly relate to the study of the features of audit assurance of sustainability reporting in the context of ensuring the legitimacy of reporting entities, improving their communication with stakeholders and the reliability of such reporting.

Secondly, it should be noted the compliance of the European and Ukrainian approaches to determining the status of banks as public interest entities to be mandatorily audited, and considering the cost and quantitative criteria, as large reporting entities that have to disclose non-financial information. Therefore, management reports of the Ukrainian banks should be mandatorily prepared and verified by auditors as:

- 1) reports of public interest entities, in accordance with the requirements of the Ministry of Finance of Ukraine;
- 2) public joint-stock companies' reports, which publish their information according to the requirements of the National Securities Market Commission;
- 3) as reports of financial institutions whose activity is regulated by the NBU.

At the same time, a significant number of regulators and regulatory approaches create a certain conflict between the content requirements and the procedure for submitting a management report within these approaches. A significant number of management reporting authorities and reporting requirements create additional uncertainty for banks, and it does not contribute to improving the quality of non-financial information disclosure and is not fully consistent with European experience.

Thirdly, the Ukrainian requirements for the content of the audit opinion on a management report mostly coincide with the European ones. However, at the same time, the establishment of the compliance of the management report with the requirements of the law slightly expands the report of independent bank auditors, in contrast to the report of independent enterprise auditors.

Fourthly, a study of the state of the disclosure and audit of the management report of 75 Ukrainian banks in 2018 indicates their partial compliance with national and European requirements. 100% com-

pliance with the criteria, the presence of a report of independent auditors, the absence of significant distortions in the bank management report is certainly a positive phenomenon. At the same time, only 47% of reports contain information on the consistency of a management report with financial statements, and only 50.1% of reports indicate compliance with legal requirements. Due to this fact, the reports of independent auditors should be brought into line with requirements based on the results of assurance of bank management reports in future reporting periods.

Fifthly, it is necessary to consider the impact of crisis events and a pandemic on the continuity of the reporting entities while conducting an audit of sustainability reporting for 2019–2020. This statement is supported by authoritative studies by Accountancy Europe (2020), AASB, and AUASB.

ACKNOWLEDGMENT

Inna Makarenko gratefully acknowledges financial support from the Ministry of Education and Science of Ukraine – Corporate Social and Environmental Responsibility for Sustainable Development: Partnership of Stakeholders in the Real, Financial and Public Sectors of the Economy (0117U003933).

AUTHOR CONTRIBUTIONS

Conceptualization: Inna Makarenko.
 Data curation: Serhiy Makarenko.
 Investigation: Inna Makarenko.
 Methodology: Inna Makarenko.
 Project administration: Inna Makarenko.
 Resources: Serhiy Makarenko.
 Supervision: Inna Makarenko.
 Validation: Serhiy Makarenko.
 Visualization: Serhiy Makarenko.
 Writing – original draft: Serhiy Makarenko.
 Writing – reviewing & editing: Inna Makarenko.

REFERENCES

1. AASB-AUASB. (2020). *The Impact of Coronavirus on Financial Reporting and the Auditor's Considerations*. AASB-AUASB Joint FAQ March 2020. Retrieved from https://www.aasb.gov.au/admin/file/content102/c3/AASB19009_COVID19_FA.pdf
2. Accountancy Europe. (2017). *Member State Implementation of Directive 2014/95/EU. A comprehensive overview of how Member States are implementing the EU Directive on Non-financial and Diversity Information*. Retrieved from <https://www.accountancyeurope.eu/wp-content/uploads/NFR-Publication-3-May-revision.pdf>
3. Accountancy Europe. (2020). *Coronavirus crisis: implications on reporting and auditing*. Retrieved from <http://www.accountancyeurope.eu/publications/coronavirus-crisis-implications-on-reporting-and-auditing/>
4. Adams, C. A. (2004). The ethical, social and environmental reporting – performance portrayal gap. *Accounting, Auditing and Accountability Journal*, 17(5), 731-757. <https://doi.org/10.1108/09513570410567791>
5. Adams, C. A., & Evans, R. (2004). Accountability, completeness, credibility and the audit expectations gap. *Journal of Corporate Citizenship*, 14, 97-115. Retrieved from <http://dro.deakin.edu.au/view/DU:30002395>
6. Cabinet of Ministers of Ukraine. (2000, February 28). *About approval of the Procedure for the submission of financial statements* (Resolution of the Cabinet of Ministers of Ukraine No. 419). Retrieved from <https://zakon.rada.gov.ua/laws/show/419-2000-%D0%BF#n12>
7. Cabinet of Ministers of Ukraine. (2018, December 07). *About the Statement of Guidelines for the Preparation of a Management Report* (Order of the Ministry of Finance of Ukraine No. 982). Retrieved from <https://zakon.help/law/v0982201-18/>
8. Deegan, C., Cooper, B. J., & Shelly, M. (2006). An investigation of TBL report assurance statements: UK and European evidence. *Managerial Auditing*

- Journal*, 21(4), 329-371. <https://doi.org/10.1108/02686900610661388>
9. Kolk, A., & Perego, P. (2010). Determinants of the Adoption of Sustainability Assurance Statements: An International Investigation. *Business Strategy and the Environment*, 19(3), 182-198. <https://doi.org/10.1002/bse.643>
 10. Legislation of EU. (2013). 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. *Official Journal of the European Union*, L 182/19. Retrieved from <https://eur-lex.europa.eu/eli/dir/2013/34/oj>
 11. Legislation of EU. (2014). Directive 2014/95/EU of the European Parliament and of the Council of 22 October 2014 amending Directive 2013/34/EU as regards disclosure of non-financial and diversity information by certain large undertakings and groups. *Official Journal of the European Union*, L 330/1. Retrieved from <https://eur-lex.europa.eu/eli/dir/2014/95/oj>
 12. Legislation of Ukraine. (1999). Law of Ukraine “On Accounting and Financial Reporting in Ukraine” of 16.07.1999 No. 996-XIV. *Vidomosti Verkhovnoi Rady Ukrainy (VVR)*, 40, 365. Retrieved from <http://zakon3.rada.gov.ua/laws/show/996-14/page>
 13. Legislation of Ukraine. (2006). The Law of Ukraine “On Securities and Stock Market” as of February 23, 2006, No. 3480-IV. *Vidomosti Verkhovnoi Rady Ukrainy (VVR)*, 31, 268. Retrieved from <https://zakon.rada.gov.ua/laws/show/3480-15/ed20200402>
 14. Legislation of Ukraine. (2013). *On approval of the Regulation on Disclosure of Information by Issuers of Securities of the company* (National Securities and Stock Market Commission Decision of December 03, 2013, No. 2826). Retrieved from http://search.ligazakon.ua/l_doc2.nsf/link1/RE24712.html
 15. Legislation of Ukraine. (2018). Law of Ukraine “On the Audit of Financial Statements and Audit Activities” No. 2258-VIII. *Vidomosti Verkhovnoi Rady Ukrainy (VVR)*, 9, 50. Retrieved from <https://zakon.rada.gov.ua/laws/show/2258-19>
 16. Legislation of Ukraine. (2020). *Law of Ukraine “On amendments to some legislative acts aimed at providing additional social and economic guarantees in connection with the spread of coronavirus disease (COVID-2019) of 29.03.20 No. 3275*. Retrieved from http://w1.c1.rada.gov.ua/pls/zweb2/webproc4_2?id=&pf3516=3275&skl=10
 17. Morimoto, R., Ash, J., & Hope, C. (2004). *Corporate Social Responsibility Audit: From Theory to Practice* (Working Paper No. 14/2004). University of Cambridge, Judge Institute of Management. Retrieved from https://www.jbs.cam.ac.uk/fileadmin/user_upload/research/workingpapers/wp0414.pdf
 18. National Bank of Ukraine (NBU). (2011). *On approval of the Guideline for the Preparation of Financial Statements of Ukrainian Banks* (Decree of the NBU as of October 24, 2011, No. 373). Retrieved from <https://zakon.rada.gov.ua/laws/show/z1288-11>
 19. O’Dwyer, B., Owen, D., & Unerman, J. (2011). Seeking Legitimacy for New Assurance Forms: The Case of Assurance on Sustainability Reporting. *Accounting, Organizations and Society*, 36(1), 31-52. <https://doi.org/10.1016/j.aos.2011.01.002>
 20. Omran, M. A., & Ramdhony, D. (2015). Theoretical Perspectives on Corporate Social Responsibility Disclosure: A Critical Review. *International Journal of Accounting and Financial Reporting*, 5(2), 38-55. <http://dx.doi.org/10.5296/ijaf.v5i2.8035>
 21. Perego, P. (2009). Causes and consequences of choosing different assurance providers: An international study of sustainability reporting. *International Journal of Management*, 26(3), 412-425. Retrieved from <https://core.ac.uk/download/pdf/18521288.pdf>
 22. Perego, P., & Kolk, A. (2012). Multinationals’ Accountability on Sustainability: The Evolution of Third-party Assurance of Sustainability Reports. *Journal of Business Ethics*, 110(2), 173-190. <http://dx.doi.org/10.1007/s10551-012-1420-5>
 23. Simnett, R. (2012). Assurance of sustainability reports. Revision of ISAE 3000 and associated research opportunities. *Sustainability Accounting, Management and Policy Journal*, 3(1), 89-98. <https://doi.org/10.1108/20408021211223570>
 24. Simnett, R., Vanstraelen, A., & Chua, W. F. (2009). Assurance on sustainability reports: An international comparison. *Accounting Review*, 84(3), 937-967. Retrieved from <https://pdfs.semanticscholar.org/2924/ea9a7721c68a338d598d31011564984fddf.pdf>
 25. The European External Action Service (EEAS). (2014, June). *EU-Ukraine Association Agreement*. Retrieved from http://eeas.europa.eu/archives/delegations/ukraine/eu_ukraine/association_agreement/index_en.htm