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Dear Matt

Comments on the IAASB's Integrated Reporting Working Group's Discussion Paper on Supporting Credibility and Trust in Emerging Forms of External Reporting: Ten Key Challenges for Assurance Engagements

The Independent Regulatory Board for Auditors (IRBA) is both the audit regulator and national auditing standard setter in South Africa. Its statutory objectives include the protection of the public by regulating audits performed by registered auditors, and the promotion of investment and employment in the Republic. Its statutory Committee for Auditing Standards (the CFAS) is responsible for assisting the IRBA to adopt, develop, maintain, issue and prescribe auditing pronouncements.

We appreciate this opportunity to comment on the Discussion Paper on *Supporting Credibility and Trust in Emerging Forms of External Reporting: Ten Key Challenges for Assurance Engagements* developed by the International Auditing and Assurance Standards Board (IAASB).

Our response has been prepared from comments provided at a consultation forum held in October 2016 and by a task group of the CFAS comprising representatives from other assurer providers, academics, external auditors and internal auditors. Our comments are presented under the following sections:

1. General comments; and
2. Request for specific comments and responses.

Kindly e-mail us at ivanker@irba.co.za and/or creintjes@irba.co.za or phone us directly on +27 87 940 8838/+27 87 940 8828, if further clarity is required on any of our comments.

Yours faithfully

Signed electronically

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1. GENERAL COMMENTS

- 1.1. Generally, we support the efforts of the IAASB's Integrated Reporting Working Group (IRWG) in researching the concepts of Supporting Credibility and Trust in Emerging Forms of External Reporting, identifying the challenges and proposing solutions.
- 1.2. The Discussion Paper is encouraging as it demonstrates that significant effort is being invested in determining how assurance on Emerging Forms of External Reporting (EER¹) should be improved.
- 1.3. The Institute of Directors in Southern Africa (IoDSA) issued the King IV Report on Corporate Governance for South Africa (the King Code) in 2016, and it sets out guidelines for the governance structures and the operation of companies in the country. The King Code is designed to apply to all organisations, regardless of their form of incorporation. The JSE Limited, South Africa's securities exchange, has included in its Listing Requirements (JSE LR) the requirement to apply the King Code, guided by the "apply and explain" principle in the King Code. As such, on an annual basis listed companies report the extent to which they have complied with the King Code. The incorporation of the King Code into the JSE LR made the JSE Limited the first exchange globally to mandate companies to move towards integrated reporting or explain why they are not doing so. In this way, the King Code seeks a more qualitative approach regarding compliance and disclosures, with adherence to the basic outcomes being assumed.
- 1.4. Several definitions and principles in the King Code are included in this letter as we believe that they apply to the content of the Discussion Paper and may therefore be considered as relevant to the IAASB.
- 1.5. The definition of assurance in the King Code is:

"The diligent application of mind to evidence that results in a statement or declaration concerning an identified subject matter or subject matter information that is made for the purpose of enhancing confidence in that subject matter or subject information.

Assurance includes, but is not limited to, assurance engagements performed by independent, external assurance service providers (such as the external auditor) in accordance with the International Auditing and Assurance Standards Board's International Engagement Standards. Such assurance "means an engagement in which a practitioner expresses a conclusion designed to enhance the degree of confidence of the intended users other than the responsible party about the outcome of the evaluation or measurement of a subject matter against criteria."²

Assurance furthermore includes, but is not limited to, assurance provided in terms of the International Standards for the Professional Practice of Internal Auditing, namely, "an objective examination of evidence for the purpose of providing an independent assessment on governance, risk management and control processes for the organization."³

- 1.6. Assurance services and functions may include the following:
 - a. *The organisation's line functions that own and manage risks.*
 - b. *The organisation's specialist functions that facilitate and oversee risk management and compliance.*

¹ In this letter, "EER" refers to both emerging forms of external reporting (EER) and the EER report interchangeably, as per the context. Also, the terms "emerging forms of external reporting" and "integrated reporting" are used interchangeably.

² International Auditing and Assurance Standards Board, *The International Framework for Assurance Engagements* (effective for assurance reports dated on or after 15 December 2015).

³ The Institute of Internal Auditors, *International Standards for the Professional Practice of Internal Auditing*, (2012), p19.

- c. *Internal auditors, internal forensic fraud examiners and auditors, safety and process assessors and statutory actuaries.*
- d. *Independent external assurance service providers such as external auditors.*
- e. *Other external assurance providers such as sustainability and environmental auditors or external actuaries, and external forensic fraud examiners and auditors.*
- f. *Regulatory inspectors.”⁴*

1.7. A combined assurance model is defined in the King Code as follows:

- a. *“A combined assurance model incorporates and optimises all assurance services and functions so that, taken as a whole, these enable an effective control environment; support the integrity of information used for internal decision-making by management, the governing body and its committees, and support the integrity of the organisation’s external reports.”⁵*

1.8. Principle 15 of the King Code states that:

“The governing body should ensure that assurance services and functions enable an effective control environment and that these support the integrity of information for internal decision-making and of the organisation’s external reports.”⁶

1.9. Recommended Practices under Principle 15 include the following:

“The governing body and its committees should assess the output of the organisation’s combined assurance with objectivity and professional skepticism, and by applying an enquiring mind, form their own opinion on the integrity of information and reports, and the degree to which an effective control environment has been achieved.”⁷

And:

“Governance and quality control are the essence of credibility and trust, both within the entity and within the assurance engagement. Once governance and quality control are in place in an organisation, independent external assurance can be provided.”⁸

1.10. Therefore, the King Code contends that before the involvement of independent external assurance providers, the information included in EER is the responsibility of Those Charged with Governance (TCWG)⁹, who should provide a statement regarding their responsibility for the information provided and the quality thereof.

South African experience and observations

1.11. To illustrate this, we heard that in practice the report preparer for the organisation sets out how they obtain assurance. The reporting organisation, meanwhile, can prepare a “mapping” or “matrix” in order to explain the combined assurance model (to internal and external users) that has been used regarding:

- 1.11.1. What the internal assurance processes are;
- 1.11.2. What the organisation is doing regarding governance;
- 1.11.3. On which parts of the EER the organisation wants assurance; and
- 1.11.4. How the organisation is assuring data and compliance with the reporting framework.

⁴ The King Code: *Definition of Assurance* (2016: p9).

⁵ The King Code: *Definition of Combined Assurance* (2016: p10).

⁶ The King Code: *Combined Assurance: Principle 15 and Recommended Practice 42*.

⁷ The King Code: *Definition of Combined Assurance* (2016: p68).

⁸ The King Code: *Combined Assurance: Principle 15 and Recommended Practice 43*.

⁹ The King Code uses the term “governing bodies”.

- 1.12. A key theme that arose in discussions is that an immature reporting framework, poor reporting against an adequate framework and/or poor governance cannot be compensated for by a high-quality assurance engagement.
- 1.13. A recurring point was that investors and other users are accountable for their decisions, based on the information contained in the integrated report (IR). That means when the investment decision is made, they should be aware of any financial implications, irrespective of the type of assurance engagement. Where assurance has been obtained and an opinion provided, it is the users' responsibility to understand what type and level of assurance has been obtained.
- 1.14. However, many users may lack the technical expertise and background that assurance providers have, and therefore may not understand the IR and assurance concepts. As a result, a user may derive assurance where assurance has not been provided. Therefore, reporting organisations should provide clear explanations of what has been assured and what has not been assured.
- 1.15. A general sentiment was that *International Standard on Assurance Engagements Other Than Audits or Reviews of Historical Financial Information (Revised)* (ISAE 3000 (Revised)) is an appropriate "umbrella" standard. However, it requires considerable work to adapt it for a specific subject matter, such as an assurance engagement on an IR. Though ISAE 3000 (Revised) is flexible, the output also needs to be of value to the user.
- 1.16. The IAASB's mandate also has bearing on the topic. ISAE 3000 (Revised) may be used by professional accountants (including auditors), but other service providers who are not auditors or practitioners may also apply the standard. Therefore, all assurance providers should be required to:
 - 1.16.1. Apply professional skepticism and professional judgement;
 - 1.16.2. Subscribe to certain ethical requirements or codes of conduct;
 - 1.16.3. Have the necessary competences, skills and experience;
 - 1.16.4. Apply appropriate quality control standards; and
 - 1.16.5. Apply the appropriate technical professional standards.

Regulatory considerations

- 1.17. The regulation of assurance engagements on EER is within the mandate of the IRBA. Currently, the IRBA inspects auditors performing high-risk, public interest audits, and in future it may identify other assurance engagements on EER as engagements to be inspected. In addition, the disciplinary mandate includes the regulation of assurance on EER engagements.
- 1.18. As such, the audit profession will experience reputational risk in:
 - 1.18.1. Providing assurance on EER; and
 - 1.18.2. Being associated with the provision of assurance on EER or parts of EER not performed by the practitioner.
- 1.19. If this risk is not managed, the profession may be affected negatively.
- 1.20. Quality control is to be displayed both on the audit and at the reporting organisation that is having its EER assured, resulting in high-quality reporting information, a high-quality reporting process and assurance that supports credibility and trust.

1.21. Anecdotal evidence is that some reporting organisations in South Africa are still at the stage where they are trying to implement a framework such as the International Integrated Reporting Council's (IIRC) <IR> Framework. Assurance thereon is in many cases not yet being contemplated. Where assurance is provided, the sections of the IR that are assured are well defined and verifiable, e.g. assurance on sustainability reporting engagements¹⁰.

2. REQUEST FOR SPECIFIC COMMENTS AND RESPONSES

CREDIBILITY AND TRUST

Question 1

Section III describes factors that enhance the credibility of EER reports and engender user trust.

- a. Are there any other factors that need to be considered by the IAASB?
- b. If so, what are they?

Response:

- a. Yes, there are other factors that need to be considered by the IAASB.
- b. The additional factors that we have identified are:
 - (i) *The regulation of assurance engagements on EER*

The regulation of assurance engagements on EER is within the mandate of the IRBA. Currently, the IRBA inspects auditors performing high-risk, public interest audits, and may in future identify other assurance on EER as engagements to be inspected. In addition, the disciplinary mandate includes the regulation of assurance on EER engagements.

We suggest that the existence of regulatory oversight of integrated reporting be considered as a further factor that will enhance the credibility of EER reports and engender user trust, similar to the regulation of financial reporting.

- (ii) *A sound reporting framework for EERs*

It is recommended that the preparer explain how the framework was applied, i.e. a basis of preparation. The framework may be a combination of recognised frameworks as criteria, as well as internally developed criteria.

Where a framework is internally developed by TCWG, it needs to be assessed regarding whether it is mature enough to be used and assured. If the framework is assessed as being suitable, it needs to be further assessed regarding whether the underlying information is verifiable.

In financial statement audits, the central reference point is the trial balance. Presently, there is no such base for IRs as frameworks are still maturing. Therefore, an equivalent of a fair presentation framework for financial statements is required for IRs. Internally developed frameworks, set up by TCWG, may not be mature enough.

The framework should also include the completeness of information as a consideration.

¹⁰ Refer to <https://www.irba.co.za/guidance-to-ras/technical-guidance-for-auditors/other-assurance-including-b-bbee/integrated-reporting-assurance-and-sustainability-reporting-assurance> for an illustrative engagement letter, an illustrative assurance report and related guidance for use by practitioners on sustainability engagements in South Africa.

In order for frameworks to mature, organisations such as the IIRC should perform an impact assessment of the implementation of its current Framework and then improve the Framework based on experiences of organisations in using it. The IIRC could also collaborate with other organisations to find a basis for a uniform Framework.

Currently, some practitioners are using a client-determined basis of preparation, and they are able to adapt existing assurance principles (such as those in ISAE 3000 (Revised)) to the specific engagement. Practitioners are able to evaluate the rational purpose of the engagement, the appropriateness of the underlying subject matter (the reporting information) and the suitability of the criteria that the practitioner expects to be applied in the preparation of the subject matter.

The IRBA embraces the Ten Key Challenges in order to provide guidance on how these can be addressed.

(iii) Use of more than one framework and the interaction between these frameworks

The interaction between various reporting frameworks is not clear. An example would be a reporting organisation that prepares an integrated report using the <IR> Framework, but reports other data in accordance with the GRI Standards. How would the integrated report and other data be assured, as different reporting frameworks have been applied? If assurance is required, what assurance would be sought and who would be able to provide this?

(iv) Strong governance at the reporting organisation

It is recommended that the reporting organisation should have a formal oversight and co-ordination function of the combined assurance process. For example, the audit committee could perform this function.

(v) External professional services and other reports

The external assurance provider applying the IAASB's assurance standards may need to consider work performed by other assurance providers (internal or external). However, the other assurance providers may not necessarily comply with the IAASB's quality and assurance standards. A comment was made that these other assurance providers could be assessed using principles in International Standard on Auditing (ISA) ISA 610 (Revised 2013), *Using the Work of Internal Auditors*, or ISA 620, *Using the Work of an Auditor's Expert*.

(vi) The intention of the preparers of reporting information

No comment.

Question 2

Sections II and IV describe different types of professional services that are either currently performed or could be useful in enhancing credibility and trust.

- a. Are there other types of professional services the IAASB needs to consider, that are, or may in future be, relevant in enhancing credibility and trust?
- b. If so, what are they?

Response:

- a. Yes, there are other professional services that the IAASB should consider.
- b. These other professional services are:
 - Regulatory certificates;
 - Assessment of Board effectiveness against the Governance Code;

- Risk profiling;
- Assessment of risk management effectiveness; and
- Assessment of strategy effectiveness of a reporting organisation's management processes.

Examples in South Africa are:

- In the context of the public sector, the supreme audit institution expresses an opinion on performance information (key performance indicators) and the compliance of state-owned entities, both forms of EER, based on ISAE 3000 (Revised); and
- The IRBA has issued an illustrative assurance report and engagement letter for assurance on sustainability reporting¹¹.

Question 3

Paragraphs 23–26 of Section II describe the responsibilities of the auditor of the financial statements under ISA 720 (Revised) with respect to the other information included in the annual report.

- Is this sufficient when EER information is included in the annual report; or
- Is there a need for assurance or other professional services, or for further enhancement of the responsibilities of the financial statement auditor, to enhance credibility and trust when EER information is in the annual report?

Response:

- Our view is that the application of ISA 720 (Revised) is not sufficient when EER information is included in the annual report.

ISA 720 (Revised) presupposes that an audit has been performed. Also, ISA 720 (Revised) will need to be applied if the annual report includes information other than the annual financial statements. However, assurance is not provided directly on that other information, in this case the IR. ISA 720 (Revised) requires the auditor to read the other information and consider whether there are material uncertainties between the other information, the financial statements and the auditor's knowledge of the entity obtained in the audit. In addition, there is information in the IR on which the auditor would have done no or minimal work. Auditors may have no knowledge of the non-financial information. Also, if the IR includes summary financial statements and no annual financial statements, ISA 720 (Revised) is not required to be applied.

- Both options are possible: 1) a need for assurance or other professional services, and/or 2) for further enhancement of the responsibilities of the financial statement auditor to enhance credibility and trust when EER information is in the annual report.

SCOPE OF THE IAASB'S INTERNATIONAL STANDARDS AND RELATED GUIDANCE

Question 4

Section IV describes the different types of engagements covered by the IAASB's International Standards and Section V suggests that the most effective way to begin to address these

¹¹ Refer to <https://www.irba.co.za/guidance-to-ras/technical-guidance-for-auditors/other-assurance-including-b-bbee/integrated-reporting-assurance-and-sustainability-reporting-assurance> for an illustrative engagement letter, an illustrative assurance report and related guidance for use by practitioners on sustainability engagements in South Africa.

challenges would be to explore guidance to support practitioners in applying the existing International Standards for EER assurance engagements.

- a. Do you agree?
- b. If so, should the IAASB also explore whether such guidance should be extended to assist practitioners in applying the requirements of any other International Standards (agreed-upon procedures or compilation engagements) and, if so, in what areas? (For assurance engagements, see Q6-7)
- c. If you disagree, please provide the reasons why and describe what other action(s) you believe the IAASB should take.

Response:

- a. We agree that the IAASB should explore guidance to support practitioners in applying the existing International Standards for EER engagements.
- b. Initially, the possibility exists that the IAASB could extend guidance on the application of **ISAE 3000 (Revised)**. This, however, would be a short-term solution. In addition, the assurance approach could be explained by the auditor in order to draw this to the attention of the user.

A specific area that ISAE 3000 (Revised) should be focusing on is the issue of reporting policy. The Discussion Paper does well to illustrate the relationship between potential reporter bias and the importance of well-developed internal reporting policy. The argument here is that the greater the potential for reporter bias, the greater the importance of well-structured reporting policy to ensure consistent interpretation of the subject matter.

Having good reporting policy around stakeholder engagement, materiality, boundary and measurement protocols will provide the assurance provider with some level of comfort that the reporter may potentially render a complete and relevant interpretation of the subject matter. However, the guidelines of what this reporting policy may potentially look like are not provided in ISAE 3000 (Revised). Furthermore, this reporting policy can be said to be framework neutral, and does not specifically have to refer to IRs to be useful.

The IAASB could develop a **new standard** with ISAE 3000 (Revised) as the basis, therefore providing additional guidance in terms of these kinds of engagements.

Another option may be to issue **non-authoritative guidance** that would be “tested” in practice and then refined, if it forms part of authoritative guidance to be issued later.

The use of the International Standard on Related Services (ISRS) 4410 (ISRS 4410), **Compilation Engagements**, was also raised as a possibility. This ISRS may be applied, and adapted as necessary, to compilation engagements for non-financial information¹².

Also, the **existing IAASB auditor reporting standards** (e.g. ISA 700 series) may need to be revised in order to extend the scope to EER assurance engagements.

A consideration though is that any guidance issued should not thwart the innovation of assurance engagements or the <IR>.

Question 5

The IAASB would like to understand the usefulness of subject matter specific assurance standards. ISAE 3410, a subject matter specific standard for assurance engagements relating to Greenhouse Gas Statements, was issued in 2013.

- a. Please indicate the extent to which assurance reports under ISAE 3410 engagements are

¹² ISRS 4410 paragraph 2 and A4.

being obtained, issued or used in practice by your organization.

- b. If not to any great extent, why not and what other form of pronouncement from the IAASB might be useful?

Response:

- a. The response of most audit firms in South Africa was that they are presently not issuing assurance reports in terms of ISAE 3410 as no audit requirement has been imposed on the reporting of GHG emissions.
- b. ISAE 3410 is more likely used in jurisdictions where the reporting of GHG emissions is already legislated. The audit firms generally use ISAE 3000 (Revised) with a client-determined basis of preparation for key indicators, and with limited assurance being provided.

Question 6

Section V suggests it may be too early to develop a subject matter specific assurance engagement standard on EER or particular EER frameworks due to the current stage of development of EER frameworks and related standards. Do you agree or disagree and why?

Response:

We agree. It is also not clear what the subject matter specific assurance engagement standards are: Is the intended outcome to provide additional guidance to support practitioners to address any assurance engagement, irrespective of the subject matter, or is it to develop different standards that deal with each specific type of subject?

The EER landscape is still relatively new. Frameworks are still at the early stages of development. The IAASB would need to address:

- How the rational purpose of the assurance engagement would be evaluated;
- How the appropriateness of the underlying subject matter (the reporting information) would be evaluated; and
- How the suitability of the criteria that the practitioner expects to be applied in the preparation of the subject matter would be evaluated, including that they exhibit the following characteristics:
 - Relevance;
 - Completeness;
 - Reliability;
 - Neutrality; and
 - Understandability.

TEN KEY CHALLENGES IN RELATION TO EER ASSURANCE ENGAGEMENTS

Question 7

Section V describes assurance engagements and the Ten Key Challenges we have identified in addressing EER in such engagements (see box below) and suggests that the most effective way to begin to address these challenges would be to explore guidance to support practitioners in applying the IAASB's existing International Standards to EER assurance engagements.

- a. Do you agree with our analysis of the key challenges?

- b. For each key challenge in Section V, do you agree that guidance may be helpful in addressing the challenge?
- c. If so, what priority should the IAASB give to addressing each key challenge and why?
- d. If not, why and describe any other actions that you believe the IAASB should take.
- e. Are there any other key challenges that need to be addressed by the IAASB's International Standards or new guidance and, if so, what are they, and why?

Response:

- a. We have assumed that the Ten Key Challenges were not ranked, for the purposes of the Discussion Paper.

There may be an overlap between some of the challenges, for example, the assurance of narrative information and future-oriented information are a subset of subject matter information.

- b. Points b and c have a joint response as follows:

Suggested ranking*	Key Challenge	Would guidance be helpful?
1.	Competence**	<p>Yes.</p> <p><i>Lack of competence of the assurance provider</i></p> <p>This has been ranked first as an engagement should not be started if the assurance provider does not have the necessary competence.</p> <p><i>Required qualifications and the experience of practitioners still to qualify</i></p> <p>It takes a substantial period to build learning regarding the assurance of EER into university syllabi, or to make it a training requirement during articles (possibly between clerk and manager level). Training that is provided would need to be adequate and of a high quality. This type of engagement is not just about applying methodology, but requires a higher order of integrated thinking.</p> <p>Practical/on-the-job training can only occur with the help of experienced practitioners.</p> <p>It is recommended that the International Accounting Education Standards Board (IAESB) should consider the education needs of practitioners in this field.</p> <p><i>Reskilling of multi-disciplinary teams and peer reviews</i></p> <p>If members of the assurance team come from varying backgrounds, how have they been educated and trained? Those from an accounting background, for instance, need to learn assurance principles.</p> <p>It is suggested that experienced assurance providers offer peer review services in order to give guidance to emerging practitioners.</p> <p>The business practitioner or business advisor of the future will need to be proficient across a number of disciplines so as to have a more integrated view of different businesses. An assurance provider can't be an expert in all disciplines.</p> <p><i>False assumptions</i></p> <p>An assurance provider should not assume that understanding audit principles is sufficient preparedness for the provision of assurance on integrated reporting.</p>
2.	Governance and internal control	<p>Yes.</p> <p>This key challenge appears to be directed at preparers seeking assurance. Its inclusion is fair, but suggests that if the Discussion Paper is meant to cover both sides of the assuree/assurance provider coin, then more effort ought to go into fully exploring the guidance required to assist those preparing reports to attain an "assurance ready" state.</p>

Suggested ranking*	Key Challenge	Would guidance be helpful?
3.	Professional skepticism and judgement	<p>Yes.</p> <p>Overarching, “umbrella” principles.</p>
4.	Scope of the engagement	<p>Yes.</p> <p>This challenge may be complex, especially in terms of completeness of information.</p> <p>For an assurance provider to know whether there is an appropriate scope of the engagement, the provider should map the current scope onto the current universe of potentially assurable information. If this scope is insufficient, then the engagement should be rejected. The main challenge here is to get to some understanding as to whether all the relevant information is reported on so that the assurance provider may map the existing scope onto a complete set of assurable information.</p>
5.	Materiality	<p>Yes.</p> <p>Information needs to be complete, useful, relevant, reliable, consistent, neutral, balanced and accurate in order to perform a materiality assessment.</p> <p>The challenge is to understand how to effectively apply the principle of materiality, inclusive of both internal and external materiality.</p> <p>It is only by reference to the reporting organisation’s materiality determination process (as criteria) that a level of comfort around the completeness and relevance of the translation of the different phenomena at the different levels can be obtained.</p> <p>The reporting organisation should thus develop a reporting policy that describes its materiality determination process in some detail. This would then become the criterion that the practitioner would expect to be applied in the preparation of the subject matter to be evaluated.</p>
6.	Suitability of criteria	<p>Yes.</p> <p>A solid understanding of the relationship between the concepts of subject matter, criteria and subject matter information is crucial if the assurance provider is to come to some sort of conclusion on whether all the relevant information has been included in the reported information.</p> <p>Even if the EER framework does not provide a basis for suitable criteria, an assurance engagement may be possible in the context of, for example, an assurance engagement that addresses:</p> <ul style="list-style-type: none"> (a) Only some of the information in the EER report, applying the criteria relevant to that information; or (b) The EER reporting process, applying criteria based on the EER framework and others established in the context of more general objectives for such a reporting process. <p>In the context of internally developed criteria, the ideal scenario is one where the reporting organisation follows an internal “due process” that mirrors international best practice as closely as possible within practical boundaries (similar to how a due process is followed in establishing the International Financial Reporting Standards (IFRS)). The major risk, however, is that management may apply bias in the way the criteria are developed, resulting in subject matter information that will likely not provide relevant and complete information.</p> <p>An assurance engagement will more likely have a rational purpose if the users were involved in the development of reporting criteria. This requirement has parallels with international best practice for due process because relevance and completeness will more likely be achieved through the involvement of report users in the process of developing the reporting criteria.</p>

Suggested ranking*	Key Challenge	Would guidance be helpful?
7.	Assertions for subject matter information	Yes. A solid understanding of the relationship between the concepts of subject matter, criteria and subject matter information is crucial if the assurance provider is to come to some sort of conclusion on whether all the relevant information has been included in the reported information.
8.	Narrative information	Yes, but included as a sub-category of subject matter information. Little guidance is currently provided on narrative information.
9.	Future-oriented information	Yes, but included as a sub-category of subject matter information. Little guidance is currently provided on narrative information.
10.	Assurance report	Yes. The external assurance provider may provide an umbrella assurance report that addresses what the levels of assurance are; what sections the assurance has been provided on; and the assurance providers that have provided the assurance. Guidance in this regard would be helpful.

* Excluding additional challenges suggested in the response to point (e) below.

** A minority of those consulted with believed that professional skepticism and professional judgement should be ranked first as these are pervasive principles in the IAASB auditor standards. Some argued that for the same reason these should be ranked 10th.

d. Not applicable.

e. Other key challenges that need to be addressed:

- (i) The assessment of whether the integrated report has a rational purpose. The rational purpose requirement demands that the assurance provider ascertains whether all relevant information has been included. The requirement for an assurance engagement to have a rational purpose states that it is more likely that it would have a rational purpose if the intended users were involved in determining the reporting criteria. It then follows that the materiality determination process (as criteria) should include the views of the intended report users to assist in the establishment of a rational purpose.
- (ii) The assessment of both neutrality and the completeness of information could be added as key challenges. It may be unlikely that full neutrality and completeness would be achieved, as reports are likely to focus more on the positive than on the negative.
- (iii) The challenge of obtaining evidence to support the assertion may be included. The subject matter information may not necessarily be the output of established financial systems. Evidence to support the assertions inherent in the subject matter information may be difficult to obtain. A disconnect may exist between the assertion that is made and the data that's meant to support the assertion. The principles of audit evidence are very important, especially in this context where non-financial information may be difficult and complex to verify.
- (iv) Further key challenges are:
 - Understanding the need for comparability, and how reporting ought to meet reasonable stakeholder expectations in being able to compare performance against similar companies.
 - Understanding how to choose an appropriate assurance standard for the reporting of specific information (e.g. ISAE 3000 (Revised) versus AA1000AS, <https://www.accountability.org/standards/>).

POTENTIAL DEMAND FOR ASSURANCE ENGAGEMENTS AND OTHER PROFESSIONAL SERVICES

Question 8

The IAASB wishes to understand the impact on potential demand for assurance engagements, if the Ten Key Challenges we have identified can be addressed appropriately, and in particular whether:

- Doing so would enhance the usefulness of EER assurance engagements for users
 - Such demand would come from internal or external users or both
 - There are barriers to such demand and alternative approaches should be considered.
- a. Do you believe that there is likely to be substantial user demand for EER assurance engagements if the key challenges can be appropriately addressed?
- b. If so, do you believe such demand:
- i. Will come from internal or external users or both?
 - ii. Will lead to more EER assurance engagements being obtained voluntarily or that this outcome would require legal or regulatory requirements?
- c. If not, is your reasoning that:
- i. EER frameworks and governance will first need to mature further?
 - ii. Users would prefer other type(s) of professional services or external inputs (if so, what type(s) – see box below for examples of possible types)?
 - iii. There are cost-benefit or other reasons (please explain)?

Further enhanced responsibilities for financial statement auditors under ISA 720?

Agreed-upon procedures reports?

Compilation reports?

Other types of professional services or other external inputs (please indicate what type of service or input and whether you believe the IAASB should consider developing related standards or guidance)?

Response:

- a. If the Ten Key Challenges can be addressed, it is likely that there will be a greater demand for assurance on EER, as the usefulness of these engagements would be enhanced, with demand coming from internal or external users or both. However, we believe that there will likely still be barriers to such demand, for example, reporting frameworks and governance will first need to mature further.
- b. i) We believe that the demand for this service will arise both internally and externally. Audit committees, TCWG and management are requesting this service in order to be sure that the information reported is correct and may be relied upon for internal decision-making.
- One assurance provider claimed that clients are asking what is possible. Preparers and managers are also beginning to understand assurance better. In South Africa, investors appear to be requiring assurance on at least some parts of the IR.
- ii) In South Africa, although an IR is prepared for most listed companies and state-owned entities, assurance is not uniformly requested. Once/if regulators start to require this, the demand will increase. Investors have sometimes been guided by regulators, demanding assurance only where this is required by such a regulator. We, however, caution that if IR and assurance on IR is regulated, this may result in a loss of innovation and uniqueness.

- c. i) Even if the Ten Key Challenges are addressed properly, reporting frameworks and governance will need to simultaneously mature further.
- ii) Refer to the response to Question 2.
- iii) Although we believe that if the Ten Key Challenges can be addressed it is likely that there will be a greater demand for assurance on EER, there are cost/benefit considerations. It is not likely that the engagement can be performed by junior members of the audit team. TCWG may not necessarily appreciate the value that is added from such an engagement, and may therefore be resistant to change because of the cost.

OTHER

Question 9

The IAASB would like to understand stakeholder views on areas where the IAASB should be collaborating with other organizations in relation to EER reporting.

For which actions would collaboration with, or actions by, other organizations also be needed?

Response:

Our view is that the IAASB should collaborate on all EER-related issues.

Examples of bodies with which to collaborate are the:

- Securities exchanges (possibly IOSCO) – for regulatory oversight;
- International Organization for Standardization (ISO);
- Carbon Disclosure Project Group – for disclosure systems;
- Global Reporting for Dialogue – for a map of corporate reporting initiatives; and
- International Corporate Governance Network – for corporate governance and investor stewardship standards.

In South Africa, a likely collaboration would be between the JSE Limited (securities exchange); the Auditor-General of South Africa; the Integrated Reporting Committee of South Africa; the IoDSA; the IRBA; and the South African Institute of Chartered Accountants. The parties to the collaboration should have a common purpose, for example, the regulation of the preparation of EERs.
