

Meeting: IAASB Consultative Advisory Group
Meeting Location: New York, USA
Meeting Date: March 9–10, 2015

Agenda Item E.1

Integrated Reporting Working Group (WG)

Objectives of Agenda Item

1. To provide an update to Representatives and Observers on the activities of the Integrated Reporting (WG) and obtain their views on the Draft Integrated Reporting WG Awareness Paper titled, *Assurance on Integrated Reporting: An Emerging and Innovative Landscape* (see **Agenda Item E.2**).

Papers to be Referred to During Discussion

2. The discussion of this topic will follow the structure of this CAG paper. Within this paper, reference is made to the Draft Integrated Reporting WG Awareness Paper included as **Agenda Item E.2**.

Project Status

3. The Appendix to this paper provides a history of previous discussions with the CAG on this topic, including links to the relevant CAG documentation. At its September 2014 meeting the CAG discussed and agreed with the recommendation that the IAASB establish a WG separate to its Innovation Working Group to address integrated reporting. The Integrated Reporting WG would monitor the developing interest in integrated reporting and the demand for assurance on integrated reports. This includes initial thinking on the nature of such engagements, including the scope of the assurance engagement, the suitability of the criteria, and other matters related to assurance on integrated reports.¹ The Report Back to the CAG on the comments received on these proposals can be found in **Agenda Item E**.
4. The IAASB agreed with the recommendation of the Innovation WG to establish a separate Integrated Reporting WG. Since then, the newly established WG held a physical meeting to discuss its objectives, activities and anticipated key milestones. Developments in integrated reporting were explored in more detail, as well as assurance issues that could arise in this area. During this meeting the Integrated Reporting WG also met with external experts, including:
 - (a) Practitioners to obtain further information on how engagements are being performed in practice and how they will further prepare for assurance against the IIRC Framework;

¹ The IAASB Work Plan 2015-2016 Updated Agenda Item 6-B IAASB September meeting

- (b) An institutional investor, to gain an understanding of how investment decisions are made and the kind of information that is being used (sources), and the expectations on assurance; and
- (c) Representatives of the IIRC to provide insight into the preliminary outcomes of the roundtables organized by the IIRC based on a Paper it has published on <IR> Assurance.²

Matters for CAG Consideration

I. Integrated Reporting WG Activities

- 5. The Integrated Reporting WG's information-gathering activities will result in a project proposal to the IAASB describing the key assurance issues, the outcome of consultation with different stakeholders as well as a proposed response by the IAASB, including the rationale for it and a proposed timeframe.
- 6. The Integrated Reporting WG's activities will focus on:
 - (a) Monitoring developments in integrated reporting and assurance on integrated reports;
 - (b) Considering demand for assurance and related scope of the assurance engagement;
 - (c) Considering assurance implications, including the relevant subject matter information, the assertions on which assurance is obtained, the criteria to assess the subject matter information, the assurance standards and the content of the assurance report;
 - (d) Assessing potential threats, including reputation risks through inconsistent interpretation and/or use of the "umbrella" standard ISAE 3000³ in practice and potential threats to the relevance of IAASB standards through external developments;
 - (e) Informing and updating the IAASB and IAASB Consultative Advisory Group (CAG) and obtaining their views on its activities and deliverables;
 - (f) Considering whether, in the public interest, assurance needs should be addressed through high quality standards developed by the IAASB or related initiatives; and
 - (g) Recommending actions, up to and where appropriate a project proposal on standard-setting.

II. Stakeholder Interaction

- 7. The area of integrated reporting is emerging and frequent interaction with stakeholders is needed at this stage of information gathering. The Integrated Reporting WG therefore intends to liaise with different stakeholders. For maximum efficiency, these interactions will, to the extent possible, be aligned with the Integrated Reporting WG's meetings and as part of the IAASB's existing avenues for consulting with its stakeholders. In addition to the IAASB CAG, the interactions will include:
 - (a) The National Auditing Standard Setters (NSS)
 - (b) The Forum of Firms (FoF)

² IIRC *Assurance on <IR>, An Introduction to the Discussion* (July, 2014). In addition a background paper is published: *Assurance on <IR>, An Exploration of Issues*, (July 2014)

³ International Standard on Assurance Engagement (ISAE) 3000 (Revised): *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*

- (c) Practitioners involved in assurance engagements with regard to integrated reports, preparers of integrated reports, directors and others charged with governance, investors and other relevant stakeholders invited to attend part of the WG meetings.

Interaction with the International Integrated Reporting Council (IIRC)

- 8. The Integrated Reporting WG has an active dialogue with the IIRC. The IIRC issued two discussion papers: “Assurance on <IR>: An introduction to the discussion” and a more technical paper “Assurance on <IR>: An exploration of issues”. The IAASB submitted a comment letter. The intention of the WG is to have quarterly interaction with the IIRC about the outcome of the IIRC’s roundtables and on the IIRC’s planned Feedback Statement. The Managing Director Professional Standards participates in the Corporate Reporting Dialogue initiated by the IIRC. Further, the IAASB participates in an IFAC/IIRC project on operationalizing the concept of materiality in the context of IIRC’s International <IR> Framework.

Matters for CAG Consideration

- 1. Representatives and Observers are asked to share their views on the proposed interaction with stakeholders, in particular whether there are any other stakeholder groups with whom the Integrated Reporting WG should interact in its information gathering activities?

III. Anticipated Key Milestones

- 9. The Integrated Reporting WG presented at the IAASB December 2014 meeting an “Update on Market Developments in Integrated Reporting and Emerging Assurance Issues”.
- 10. The anticipated Key Milestones for 2015-2016 are:
 - (a) *April 2015: Integrated Reporting WG Awareness Paper.* This paper will provide insight into the market developments in assurance on Integrated Reporting, the existing standards of the IAASB relevant to this area, emerging assurance issues and the anticipated work of the IAASB.
 - (b) *September 2015: IAASB Discussion Paper.* This paper will discuss the most relevant assurance issues to integrated reporting and the suggestions for IAASB responses via international standard setting, preparation of International Practice Notes and Staff Publication, or combinations thereof.
 - (c) *March 2016: IAASB Feedback Statement.* This paper will reflect the IAASB discussions with stakeholders, including responses received to the Discussion Paper.
 - (d) *June 2016: Draft Project proposal to the IAASB.* The project proposal will describe the market needs, the key assurance issues to which a response by the IAASB will be needed, the type of pronouncement that will be used to achieve the desired outcome with regard to the assurance issues, the rationale for choosing the type of pronouncement, the Task Force composition and the anticipated planning of the project.
 - (e) *September 2016: Project proposal to the CAG and the IAASB.*

Matters for CAG Consideration

2. Representatives and Observers are asked to share their views about whether the proposed activities of the Integrated Reporting WG and its anticipated milestones are adequate and appropriate and provide any further suggestions in this regard.

IV. Integrated Reporting WG Awareness Paper

11. The IIRC started the debate on the need for assurance on integrated reporting during 2014 and anticipates publishing a Feedback Statement to its Discussion Papers in March 2015. The IAASB has submitted a comment letter to the IIRC.⁴
12. Responsive to the feedback received from the CAG at its September 2014 meetings, the Integrated Reporting WG would like to continue this debate and be more visible about the IAASB's information-gathering activities on the topic.
13. The preliminary information-gathering activities of the Integrated Reporting WG indicate that raising awareness on integrated reporting and the International Standards on Assurance Engagements in this context would be helpful to assurance practitioners, being professional accountants in public practice, as well as other assurance practitioners who perform assurance engagements in this developing area. At the same time, the Integrated Reporting WG also wanted to raise awareness about the activities it anticipates performing. Therefore, the Integrated Reporting WG prepared the Awareness Paper, **Agenda Item E.2** with the aim of:
- (a) Providing insight into the International <IR> Framework, and the need for assurance in the wider context of enhancing the credibility of integrated reports;
 - (b) Highlighting the different elements of an assurance engagement in the context of assurance on integrated reporting with relevant aspects of ISAE 3000 (Revised) as the basis.
 - (c) Where applicable, publicly raising awareness of the results of the Integrated Reporting WG's information-gathering activities to-date.

Although the primary targeted user group for the Awareness Paper is assurance practitioners, the Integrated Reporting WG believes that the Awareness Paper may also be of interest to other stakeholders, including investors, preparers of integrated reports and those charged with governance.

14. The Integrated Reporting WG hopes that the release of the Awareness Paper will provide the relevant context for a more in-depth discussion about matters relating to the need for assurance on integrated reports, which the IAASB plans to address in a Discussion Paper. CAG feedback on this Discussion Paper will be sought at the September 2015 IAASB CAG meeting.

Matters for CAG Consideration

3. Representatives and Observers are invited to share their views on the Awareness Paper (**Agenda Item E.2**), in particular, the intended audience or target group, the topics addressed therein, and the described information-gathering activities of the Integrated Reporting WG.

⁴ See IAASB Comment letter to IIRC

Material Presented – IAASB CAG PAPERS

Agenda Item E.2

Assurance on Integrated Reports: An Emerging and Innovative Landscape

Project History

Project: Integrated Reporting WG

Summary

	CAG Meeting	IAASB Meeting
Approval of Terms of Reference of Innovation WG	April 2013	April 2013
Updates / Briefings Innovation WG where topic of Integrated Reporting was discussed	March 2014	March 2014 June 2014
Discussion on Proposed Way Forward of the Innovation WG and the Initiation of the Integrated Reporting WG	September 2014	September 2014

CAG Discussions: Detailed References

Approval of Terms of Reference Innovation WG	<p><u>April 2013</u></p> <p>See IAASB CAG meeting material: http://www.ifac.org/sites/default/files/meetings/files/20130403-IAASB-CAG-Agenda_Item_G-3-INFO_TOR-final.pdf</p> <p>See CAG meeting minutes (in Agenda Item G of the following): http://www.ifac.org/sites/default/files/meetings/files/April%202013%20IAASB%20CAG%20Public%20Minutes%20a%20Approved.pdf</p> <p>See report back on April 2013 CAG meeting at Agenda Item J.2: http://www.ifac.org/sites/default/files/meetings/files/20130909-IAASB-CAG-Agenda_Item_J2-Strategy_Report_Back-Final.pdf</p>
Updates / Briefings	<p><u>March 2014</u></p> <p>See IAASB CAG meeting material: http://www.ifac.org/sites/default/files/meetings/files/20140311-IAASBCAG-Agenda_Item_D-INFO_Integrated_Reporting-Cover-final.pdf http://www.ifac.org/sites/default/files/meetings/files/20130411-IAASBCAG-Agenda_Item_D1_INFO_WG_Presentation_WideScreen-final.pdf http://www.ifac.org/sites/default/files/meetings/files/20140311-IAASBCAG-Agenda_Item_D2-INFO_Integrated_Reporting_and_Assurance_Briefing_Paper-final.pdf</p> <p>See CAG meeting minutes (Agenda item D): http://www.ifac.org/sites/default/files/meetings/files/20140908-Agenda_Item_B-IAASB_CAG_March_2014_Meeting_Minutes_Marked_for_CAG_Rep_Feedback-final.pdf</p>

	<p>See report back on March 2014 CAG meeting (Agenda Item E): http://www.ifac.org/sites/default/files/meetings/files/20140908-IAASB_CAG-Agenda_Item_E-Innovation_WG_Report_Back_Cover-final.pdf</p> <p><u>September 2014</u></p> <p>See IAASB CAG meeting material: http://www.ifac.org/sites/default/files/meetings/files/20140908-IAASB_CAG-Agenda_Item_E.1-Innovation_WG_Presentation-final.pdf</p> <p>See report back on September 2014 CAG meeting in paragraph 4 of Agenda Item E.</p>
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