

## Assurance on Integrated Reports: An Emerging and Innovative Landscape

*This publication has been prepared by the IAASB Integrated Reporting Working Group. It does not constitute an authoritative pronouncement of the International Auditing and Assurance Standards Board<sup>®</sup> (IAASB), nor does it amend or override the International Standards on Assurance Engagements<sup>™</sup> (ISAEs<sup>™</sup>).*

*The purpose of this publication is to inform assurance practitioners and other stakeholders<sup>1</sup> about (1) assurance engagements in the context of integrated reporting in its widest sense and (2) the information-gathering activities that the IAASB Integrated Reporting Working Group will undertake to inform the IAASB as to what may be the most effective response(s) in the public interest.*

### Background

A wide range of organizations increasingly publish information in addition to their financial statements. This includes, for example, more strategic information, information on their business model, their governance and management, as well as on their performance on economic, social and environmental issues. Although in some jurisdictions, governments, stock exchanges and other organizations are implementing regulation to increase transparency in relation to non-financial information, organizations have also already started to publish this type of information on a voluntary basis to provide more accountability to their stakeholders and to support decision-making.

This development is not limited to listed entities – organizations of all sizes are becoming increasingly

transparent on a wider range of issues. Similar developments are occurring in the public and not for profit sectors, where entities increasingly report publicly on the performance achieved against strategic and operational goals.

The objectives of the IAASB Integrated Reporting Working Group are to explore emerging developments in integrated reporting; gather further information on the demand for assurance, including the subject matter (information), the criteria used, and the key assurance issues; and explore how the IAASB most effectively can respond to market needs via International Standards or non- authoritative material (including Staff publications),

In addition to existing financial reporting standards, organizations in various jurisdictions or globally have developed guidance on different elements of this wider accountability to support organizations in their evaluation or

<sup>1</sup>. The term “practitioner” is defined in paragraph 12(r) of International Standards on Assurance Engagements (ISAE) 3000 (Revised), *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* as “the individual(s) conducting the engagement (usually the engagement partner or other members of the engagement team, or, as applicable, the firm)”. Practitioners also include competent practitioners other than professional accountants in public practice. Although this publication is focused on assurance practitioners it may also be of interest to other stakeholders, in particular those in the corporate reporting supply chain (management, audit committees/non-executive directors/those charged with governance, intended users of corporate reporting audit oversight bodies, and regulators).

measurement and reporting. In December 2013, the International Integrated Reporting Council (IIRC) published the International Integrated Reporting <IR> Framework (the “International <IR> Framework”)<sup>2</sup> as a next step in reporting.

### The International <IR> Framework

The International <IR> Framework is a principles-based framework for the preparation of an integrated report and is aimed at market-led, voluntary adoption. It notes that integrated reporting aims to:<sup>3</sup>

- ❖ Improve the quality of information available to providers of financial capital to enable a more efficient and productive allocation of capital.
- ❖ Promote a more cohesive and efficient approach to corporate reporting that draws on different reporting strands and communicates the full range of factors that materially affect the ability of an organization to create value over time.
- ❖ Enhance accountability and stewardship for the broad base of capitals (financial, manufactured, intellectual, human, social and relationship, and natural) and promote understanding of their interdependencies.
- ❖ Support integrated thinking, decision-making and actions that focus on the creation of value over the short, medium and long term.

Integrated Reporting (<IR>) is defined in the International Integrated Reporting <IR> Framework as *a process founded on integrated thinking that results in a periodic integrated report about value creation over time and related communications regarding aspects of value creation.*

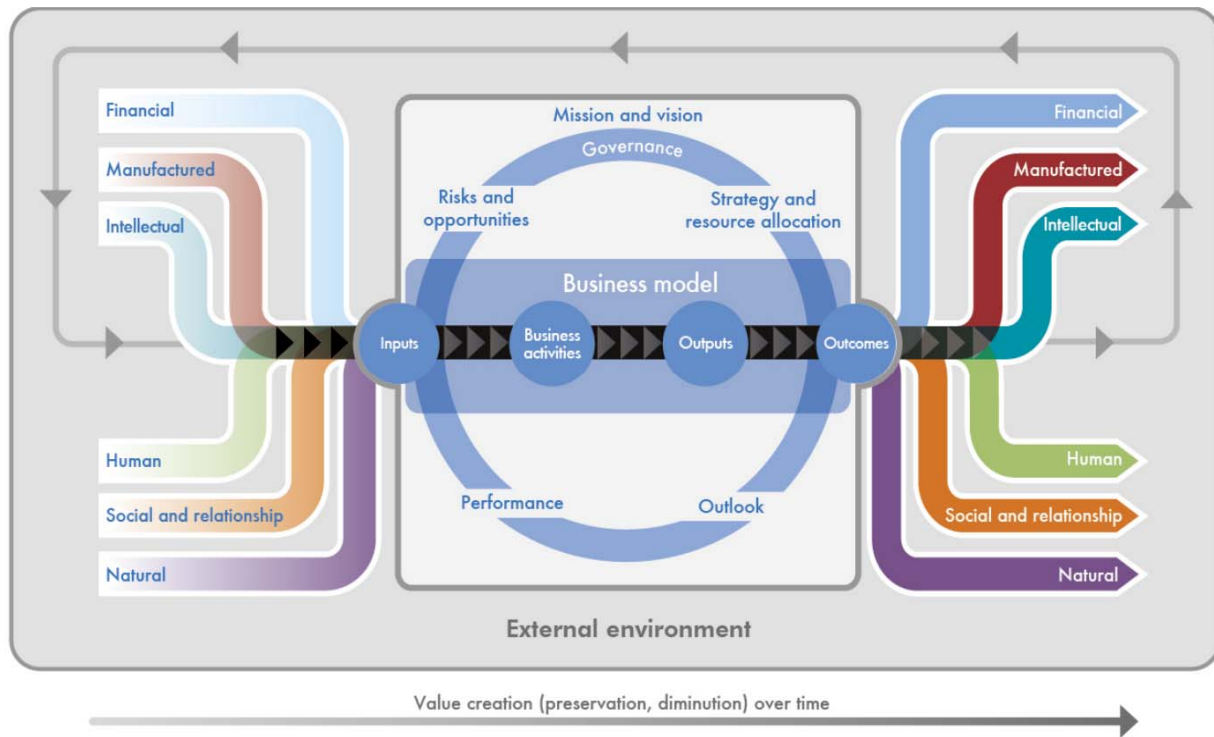
An integrated report is defined as *a concise communication about how an organization's strategy, governance, performance and prospects, in the context of its external environment, lead to the creation of value. in the short, medium and long term.*

The International <IR> Framework has three fundamental concepts (value creation for the organization and others, the capitals which are increased, decreased or transformed through the activities and outputs of the organization, and the value creation process).

<sup>2</sup> The International <IR> Framework is available at <http://www.theiirc.org/international-ir-framework/>.

<sup>3</sup> Source: “About Integrated Reporting”, the International <IR> Framework, December 2013.

The value creation process is depicted in the International <IR> Framework through the following diagram:<sup>4</sup>



The International <IR> Framework also has seven Guiding Principles and eight Content Elements for the preparation of an integrated report as depicted below in the table.

Guiding Principles	Content Elements
<ul style="list-style-type: none"> <li>❖ Strategic focus and future orientation</li> <li>❖ Connectivity of Information</li> <li>❖ Stakeholder relationships</li> <li>❖ Materiality</li> <li>❖ Conciseness</li> <li>❖ Reliability and completeness</li> <li>❖ Consistency and comparability</li> </ul>	<ul style="list-style-type: none"> <li>❖ Organizational overview and external environment</li> <li>❖ Governance</li> <li>❖ Business model</li> <li>❖ Risks and opportunities</li> <li>❖ Strategy and resource allocation</li> <li>❖ Performance</li> <li>❖ Outlook</li> <li>❖ Basis of preparation and presentation</li> </ul>

<sup>4</sup> Copyright © December 2013 by the International Integrated Reporting Council (the 'IIRC'). All rights reserved. Used with permission of the IIRC.

## **Practical Application**

The nature and content of integrated reports continues to evolve, and varies widely in practice. What is most important is that integrated reports are intended to be entity-specific and aligned with the entity's views as to how it creates value. Therefore, unlike financial statements, there is no single structure for preparing an integrated report. As such, integrated reports may be published in different formats, for example as a separate stand-alone report or included in annual reporting, and can be entirely web-based or interactive. The principle-based approach in the International <IR> Framework recognizes the wide variation in individual circumstances of different organizations while at the same time enabling a sufficient degree of comparability to meet relevant information needs.

Most organizations have not yet fully operationalized the concepts of the International <IR> Framework. Rather they are on a journey towards further integrated thinking about value creation in the short, medium and long term. In their reporting this journey may be reflected in different ways, for example, by providing first more information on their integrated approach to their strategy and risk management or on the different human, social and natural capitals, as well as connecting the content of different existing reports (for example annual and sustainability report) into a concise overview.

## **Assurance Needs**

As a result of the nature of an integrated report and the various stages of adoption by organizations, the IAASB Integrated Reporting Working Group is taking a more holistic approach in its information-gathering activities to ascertain the nature of assurance engagements that are being performed or considered with respect to integrated reports. This will include ascertaining how assurance engagements may be evolving for integrated reports prepared by an organization that do not yet address all guiding principles and content elements specified in the International <IR> Framework, but which intend to progress towards that outcome. To facilitate the discussion, the term "integrated report" will be used throughout this publication to cover both reports following the International <IR> Framework and those that are on their journey towards an integrated report.

## **Practitioners and Integrated Reporting**

Practitioners may be asked to perform different types of engagements with regard to integrated reporting. Such engagements may include providing advice on the integrated reporting implementation process, including internal controls; advising upon the maturity of systems and processes for undertaking integrated reporting for assisting organizations in developing their skills; providing advice on or assisting management to prepare an integrated report; or conducting an assurance engagement with regard to the integrated report or the integrated reporting process. Although there is a variety in the nature of such engagements evolving in different jurisdictions around the world, in practice, it is clear that assurance engagements relating to integrated reports are starting to be requested, often as a next step or sequel to sustainability reporting assurance, and the IAASB is monitoring these developments in the market.<sup>5</sup>

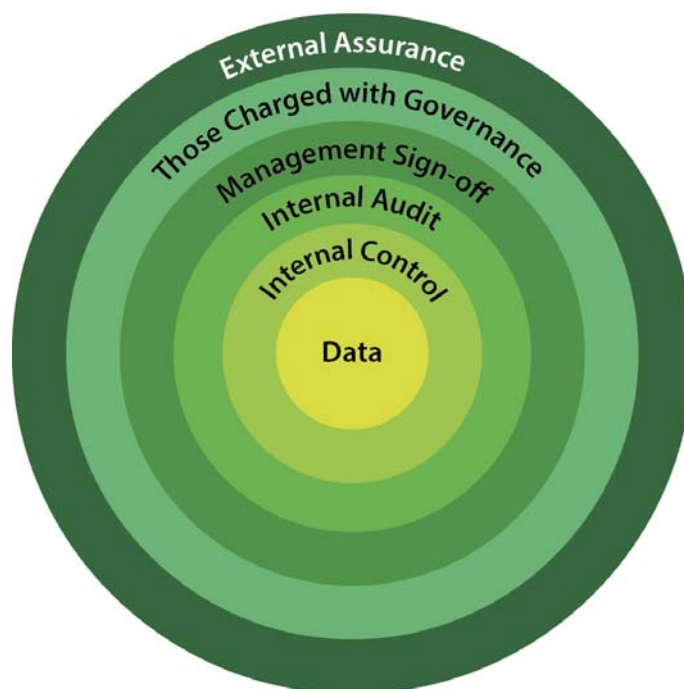
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<sup>5</sup> See also the IAASB December 2014 Agenda Item 10-B Briefing Paper – [Market Developments in Integrated Reporting and Emerging Assurance Issues Relevant to IAASB](#) and the integrated reports in the database of Corporate Register: [www.corporateregister.com](http://www.corporateregister.com)

## Credibility and Assurance Engagements

Credibility is essential for confidence in integrated reports. Overall, credibility is derived from involvement of the full corporate reporting supply chain.<sup>6</sup> Assurance engagements, in particular, are an important element of this process.

The illustration provides an overview of the different steps that organizations typically might implement to support the credibility of information in an integrated report. Internal control may also include internal reporting policies being used to evaluate or measure and report the data. The type of steps implemented may differ and are often influenced by contextual factors. For example, the jurisdiction in which the organization operates may have a strong internal audit culture. Also the maturity of integrated reporting within the organization itself may influence the entity's approach to supporting the credibility of data. At an early stage the focus may be more on internally embedding applicable controls. Once the process becomes more mature, the focus may move to external assurance. Also organizations may include in the integrated report views from external experts on a particular issue. As part of the integrated report, the organization may choose to disclose how management has been satisfied as to the integrity of the information presented in the integrated report.<sup>7</sup>



The continuous interaction between those involved in the corporate reporting supply chain provides further insight as to mutual expectations and actions performed and will support the quality of assurance engagements that may be performed.<sup>8</sup>

<sup>6</sup> The corporate reporting supply chain is the people and processes involved in the preparation, approval, audit and assurance, analysis and use of corporate reporting. This description has been adopted from The International Federation of Accountants' report, [Financial Reporting Supply Chain: Current Perspectives and Directions](#) (2008), where it is described as "the people and processes involved in the preparation, approval, audit, analysis and use of financial reports."

<sup>7</sup> Part 1G in the International <IR> Framework – *Responsibility for an Integrated Report* states that an integrated report should include a statement from those charged with governance acknowledging their responsibility to ensure the integrity of the integrated report.

<sup>8</sup> See the [IAASB's Framework for Audit Quality](#) for information on elements that create an environment for audit quality.

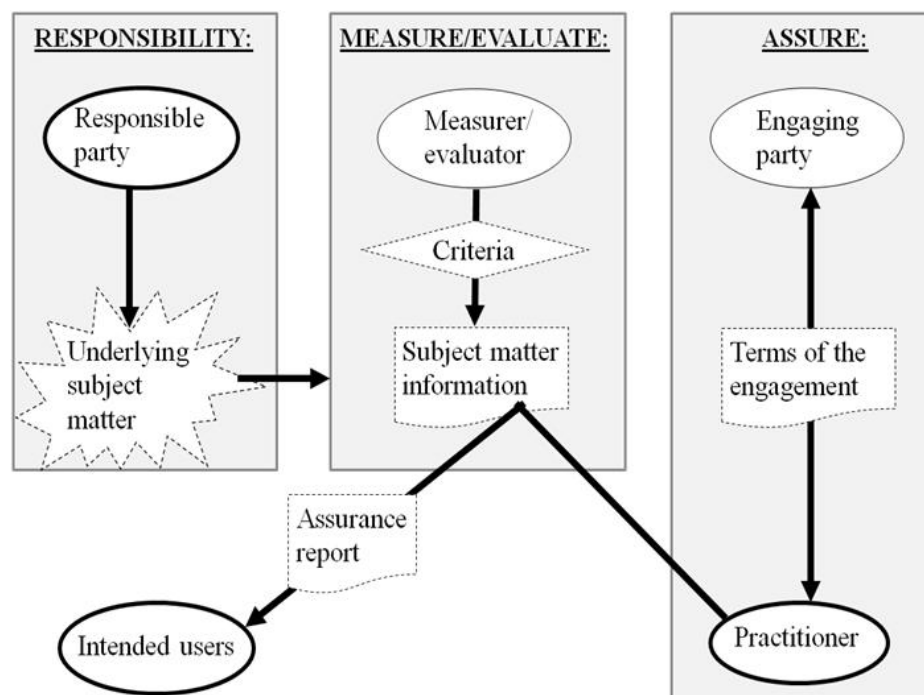
## IAASB Framework and Standard Relating to Assurance Engagements

Available to date and most relevant to the topic of assurance engagements on integrated reporting are:

- ❖ *The Framework for Assurance Engagements (Amended)*: This non-authoritative Framework is issued solely to facilitate understanding of the elements and objectives of an assurance engagement and the engagements to which International Standards on Auditing (ISAs), International Standards on Review Engagements (ISREs) and International Standards on Assurance Engagements (ISAEs) apply. The ISAs and ISREs apply to audits and reviews of historical financial information.<sup>9</sup>
- ❖ ISAE 3000 (Revised), *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*: ISAE 3000 (Revised) covers both reasonable and limited assurance engagements. Where a subject-matter specific ISAE is relevant to the subject matter of a particular engagement, that ISAE applies in addition to ISAE 3000 (Revised).<sup>10</sup>

### Key Concepts of an Assurance Engagement and How They Relate to Assurance on Integrated Reporting

An assurance engagement is defined as an engagement in which a practitioner aims to obtain sufficient appropriate evidence in order to express a conclusion designed to enhance the degree of confidence of the intended users other than the responsible party about the subject matter information (that is, the outcome of the measurement or evaluation of an underlying subject matter against criteria).



The different elements of an assurance engagement in the context of integrated reporting are briefly discussed in this publication.

<sup>9</sup> The ISAs and ISREs have been written for audits and reviews of historical financial information, respectively, and do not apply to other assurance engagements. The different concepts included, as far as not yet addressed in ISAE 3000 (Revised), may be worthwhile to explore in the context of integrated reporting.

<sup>10</sup> Subject specific assurance engagement standards that could be relevant in addition to ISAE 3000 (Revised) are ISAE 3400, *The Examination of Prospective Financial Information*; ISAE 3402, *Assurance Reports on Controls at a Service Organization*; ISAE 3410, *Assurance Engagements on Greenhouse Gas Statements*.



### *Underlying Subject Matter of the Assurance Engagement*

Assurance with regard to integrated reporting may be obtained on different underlying subject matters, for example the process by which the integrated report is prepared, the information contained in the integrated report or both.

The subject matter on which it is most meaningful to the intended users to obtain assurance may vary depending on the circumstances and stage of development of an entity's integrated reporting process. At this early stage of development, it might be explored whether there is a demand for assurance on the maturity of systems and processes for integrated reporting; however, suitable criteria for assessing maturity would need to be developed. Organizations might also focus at this early stage on obtaining (internal) assurance over the process and controls and could elect to provide a summary in the integrated report of how management has been satisfied on the elements of the report.

Although preferably all principles and content elements of the International <IR> Framework are included in the scope of the assurance engagement, circumstances may result in a scope that is restricted to specific content elements of the integrated report. For example, in practice, future-orientated information is often not included in an assurance engagement. From an innovative perspective, developing a model for an assurance engagement that addresses the reasonableness of assumptions used with respect to future-oriented information in an integrated report might be a path that should be pursued.<sup>11</sup>

An appropriate underlying subject matter must be identifiable and capable of consistent measurement or evaluation against the identified criteria such that the resulting subject matter information can be subjected to procedures for obtaining sufficient appropriate evidence to support a reasonable assurance or limited assurance conclusion, as appropriate.<sup>12</sup>

ISAE 3000 (Revised) requires that the assurance engagement must have a rational purpose, including in the case of a limited assurance engagement that the practitioner expects to be able to obtain a meaningful level of assurance.<sup>13</sup> This prevents cherry-picking in choosing the subject matter, related objectives or assertions addressed in the assurance engagement and criteria used. Considering the rational purpose requires amongst other things: considering whether aspects of the subject matter information are expected to be excluded from the assurance engagement, and the reason for their exclusion, considering who selected the criteria to be applied to measure or evaluate the underlying subject matter, the degree of judgment and scope for bias there is in applying the criteria and any significant limitations on the scope of the practitioner's work.

As the demand for assurance on integrated reporting is starting to develop, the IAASB Integrated Reporting Working Group will follow how the market evolves and on what type of underlying subject matters assurance is sought by preparers or required or requested by regulators, investors and others.

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<sup>11</sup> The concepts as applied in ISAE 3400 and ISAE 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus* are a useful starting point.

<sup>12</sup> See also paragraph 24(b)(i) and A40–A44 of ISAE 3000 (Revised).

<sup>13</sup> See also paragraph 12(a)(i)(b) and paragraph A3–A7 on a meaningful level of assurance and paragraphs 24 (b)(vi), A40–A44 and A56 of ISAE 3000 (Revised) on preconditions for an assurance engagement, including a rational purpose.

## Criteria

Criteria are the benchmarks used to measure or evaluate the underlying subject matter and can be formal (for example, via national laws or requirements from stock exchanges), or less formal and specifically designed for the purpose of preparing the integrated report and the assurance engagement.<sup>14</sup> The International <IR> Framework is designed to be principles-based and does not capture evaluation or measurement criteria. Therefore, in addition to the International <IR> Framework, organizations will need to use other frameworks and methods to evaluate or measure data to be disclosed in the integrated report.

Suitable criteria are required for reasonably consistent measurement or evaluation of an underlying subject matter within the context of professional judgment. Without the frame of reference provided by suitable criteria, any conclusion is open to individual interpretation and misunderstanding.

For example, the *G4 Sustainability Reporting Guidelines* published by the Global Reporting Initiative, might be used, while an organization also may need to develop its own measurement criteria, such as with respect to measuring performance regarding particular capitals for which (inter)national measurement criteria have yet to be developed.

Before using criteria, the practitioner evaluates whether they are suitable for the particular assurance engagement.<sup>15</sup> Suitable criteria are relevant, complete, reliable, neutral and understandable. They are context-sensitive and determined in the engagement circumstances.<sup>16</sup>

Criteria that are used in preparing the integrated report need to be available to the intended users. Formal criteria (e.g., criteria that have undergone due process) generally will be publicly available. However, the interpretation of criteria in an entity-specific context, such as the application of the materiality reporting principle, or less formal criteria for measuring particular performance data, also need to be available to the intended users. These criteria can be detailed in the basis of preparation and presentation section of an integrated report as recommended in the International <IR> Framework.

The IAASB Integrated Reporting Working Group will further be monitoring the type of criteria that assurance practitioners are using in their assurance engagements in addition to the International <IR> Framework.

## Competence of the Practitioners Performing the Assurance Engagement

As practitioners, professional accountants can add value to assurance engagements with regard to integrated reporting, having knowledge of corporate reporting in general, of reporting processes, internal control and experience in performing assurance engagements.

<sup>14</sup> See also paragraph 12(c) and paragraph A10 of ISAE 3000 (Revised).

<sup>15</sup> See also paragraph 24(b)(ii) and paragraphs A45–A50 of ISAE 3000 (Revised).

<sup>16</sup> See also paragraph A10 of ISAE 3000 (Revised).



However, the underlying subject matters of assurance engagements with regard to integrated reporting can vary, as well as the complexity of the organization and its value creation process. Performing an assurance engagement with regard to integrated reporting may therefore require specialized skills and knowledge. It is important that the practitioner be satisfied that those persons who are to perform the engagement collectively have the appropriate competence and capabilities.<sup>17</sup>

It may be that the engagement partner<sup>18</sup> decides to consult a practitioner's expert to provide advice on an individual matter, but the greater the significance of the practitioner's expert's work in the context of the engagement, the more likely it is that the expert will work as part of a multi-disciplinary team comprising subject matter experts and other assurance personnel.<sup>19</sup>

#### *Use of IAASB Standards by Practitioners other than Professional Accountants in Public Practice*

Competent practitioners other than professional accountants in public practice may apply ISAE 3000 (Revised). Like professional accountants in public practice that intend to comply with ISAE 3000 (Revised), they would need to ensure that:

- (i) The members of the engagement team and the engagement quality control reviewer (for those engagements where one has been appointed) are subject to Parts A and B of the *Code of Ethics for Professional Accountants* issued by the International Ethics Standards Board for Accountants (IESBA Code) related to assurance engagements, or other professional requirements, or requirements in law or regulation, that are at least as demanding.<sup>20</sup>
- (ii) The practitioner who is performing the engagement is a member of a firm that is subject to International Standard on Quality Control (ISQC) 1, *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements* (ISQC 1),<sup>21</sup> or other professional requirements, or requirements in law or regulation, regarding the firm's responsibility for its system of quality control, that are at least as demanding as ISQC 1.<sup>22</sup>

ISAE 3000 (Revised) includes application material regarding quality control at both the firm and engagement level and requires the inclusion of an explicit statement describing compliance as described in (i) and (ii) above in the assurance report.<sup>23</sup>

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<sup>17</sup> See also paragraph 31(b)–(c) and paragraph 32(a) of ISAE 3000 (Revised).

<sup>18</sup> Engagement partner is defined in paragraph 12(e) of ISAE 3000 (Revised) as “The partner or other person in the firm who is responsible for the engagement and its performance, and for the assurance report that is issued on behalf of the firm, and who, where required, has the appropriate authority from a professional, legal or regulatory body.”

<sup>19</sup> See also paragraph A121 of ISAE 3000 (Revised).

<sup>20</sup> See also paragraph 20 of ISAE 3000 (Revised).

<sup>21</sup> International Standard on Quality Control (ISQC) 1, *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*

<sup>22</sup> See also paragraph 31(a) of ISAE 3000 (Revised).

<sup>23</sup> See also paragraphs 69(i)–(j) and A171–A172 of ISAE 3000 (Revised).

## Levels of Assurance

The market for assurance on integrated reporting is expected to continue to evolve - and may result in either limited or reasonable assurance engagements or a combination in which either a reasonable or a limited level of assurance is obtained for separately identifiable parts of the integrated report. ISAE 3000 (Revised) addresses both reasonable and limited assurance engagements.<sup>24</sup>

The difference between a reasonable and limited assurance engagement is caused by the extent to which the practitioner reduces the engagement risk in the circumstances of the engagement as a basis for expressing a conclusion. The nature, timing, and extent of procedures performed in a limited assurance engagement is limited compared with that necessary in a reasonable assurance engagement. Procedures are planned to obtain a level of assurance that is, in the practitioner's professional judgment, meaningful. What is meaningful in a particular limited assurance engagement on integrated reporting represents a judgment within a range that can vary from assurance that is likely to enhance the intended users' confidence about the subject matter information to a degree that is clearly more than inconsequential to just below reasonable assurance.<sup>25</sup> It depends on the engagement circumstances, including the information needs of intended users as a group, the criteria, and the underlying subject matter of the engagement.

In practice, practitioners are performing both limited assurance and reasonable assurance engagements related to matters that fall under the concepts of integrated reporting. If assurance on integrated reports follows the same pattern as on sustainability reports the demand is likely to start with limited assurance engagements to obtain a certain degree of comfort for the intended users on the credibility of information at the request of management or audit committee members. This may evolve to a reasonable assurance engagement, possibly first with regard to the performance data.

As integrated reporting evolves, it is envisaged that the practitioner will interact with the responsible party and the engaging party at the engagement acceptance stage to understand the context and circumstances of the assurance engagement, including the needs of the intended users as a group and determine whether the engagement should be a limited assurance or reasonable assurance engagement.

## Assurance Report

The assurance report contains different elements on which information is provided, one of which explains the criteria that have been applied in the assurance engagement regarding the integrated report.<sup>26</sup> This may be the International

Where the subject matter information is made up of a number of aspects, such as in an integrated report, ISAE 3000 (Revised) allows the practitioner to provide separate conclusions on each aspect. Such separate conclusions do not need to relate to the same level of assurance. Rather, each conclusion is expressed in the form that is appropriate to either a reasonable assurance engagement or a limited assurance engagement.

<sup>24</sup> See also paragraph 12(a)(i) and paragraph 24(b)(vi) of ISAE 3000 (Revised).

<sup>25</sup> See also paragraphs A4–A7 of ISAE 3000 (Revised).

<sup>26</sup> See also paragraphs 67–78 of ISAE 3000 (Revised).

<IR> Framework, but could also include other references such as those established by law or regulation in a particular jurisdiction.

Because the level of assurance obtained by the practitioner in limited assurance engagements varies, the assurance report also contains an informative summary of the procedures performed, recognizing that an appreciation of the nature, timing, and extent of procedures performed is essential to understanding the practitioner's conclusion.<sup>27</sup>

The practitioner may choose a "short form" or "long form" style of reporting to facilitate effective communication to the intended users. "Short-form" reports ordinarily include only the basic elements. "Long-form" reports include other information and explanations that are not intended to affect the practitioner's conclusion. As well as the basic elements, long-form reports may describe in detail the terms of the engagement, the criteria being used, findings relating to particular aspects of the engagement, details of the qualifications and experience of the practitioner and others involved with the engagement, disclosure of materiality levels, and, in some cases, recommendations. Whether to include any such information depends on its significance to the information needs of the intended users.

Assurance reports on integrated reports will evolve. They may vary with regard to describing the basic elements as well as in long-form and short-form reports. Also, it may be more common that separate conclusions, rather than one conclusion, are provided. In addition, the IAASB has recently published its revised and new standards on auditor reporting<sup>28</sup> (enhancements to the auditor's report on the audited financial statements) that may also be relevant in the context of integrated reporting. Therefore, further information-gathering will be needed in this evolving area and, in particular, to obtain further insight into users' needs and flexibility needed.

### **Assurance and Innovation**

Assurance engagements, allow for more flexibility than often assumed as briefly described in the different sections above. The assurance process itself addresses the continuous innovation made in reporting as the guiding principles in the criteria that are used to prepare the integrated report themselves allow for innovation. This is seen, in particular, through the application of the materiality principle that allows a focus on the issues most relevant to the value creation process, issues which may change over time. Also the conciseness principle supports innovation, as an organization can use pictorial forms of presentation to communicate material matters in a concise way and may include links to where more detailed information can be found that is not considered material for purposes of inclusion in the integrated report.

In addition, integrated reporting addresses some other issues that warrant further attention and assurance engagements will need to evolve to respond to these. New concepts like connectivity of information and the information technology supporting connectivity, assurance on narrative and forward-looking information, the challenge of maturity of evaluation, measurement and reporting processes, including some inherent limitations to the reliability of data measurement, as well as more recent perceptions on the range of levels of assurance, will all provide new challenges to assurance practitioners. The IAASB's Innovation Working Group will therefore also gather further information on these new issues.

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<sup>27</sup> See also paragraph 69(k) of ISAE 3000 (Revised)

<sup>28</sup> See also the IAASB website: [The New Auditor's Report](#)

## The IAASB's Strategy and Further Work on the Topic of Integrated Reporting

The IAASB's work is highly influenced by the international environment in which it operates. Integrated reporting is seen as one of the important global developments that the Board will need to consider in achieving one of its strategic objectives: *"Ensure the IAASB's Standards Evolve as Necessary to Adequately Address the Emerging Needs of Stakeholders for Services Other than Audits of Financial Statements"*.<sup>29</sup>

Assurance on integrated reporting is at an early stage of development and it is anticipated that it will further develop based on users' needs. The IAASB therefore intends to spend time exploring users' needs related to assurance before developing a project proposal related to standard setting. At the same time, the IAASB believes it is important to be proactive in this area and be involved in discussions with different stakeholders on assurance on integrated reporting from the start. It will be critical for the IAASB to explore whether it is feasible to develop a response to the arising assurance issues that will be relevant in a global context, given the evolving nature of integrated reporting.

Since 2013 the IAASB Innovation Working Group monitored the developments in integrated reporting, taking into account whether there is a visible market demand for assurance and related services in the public interest, including the potential need for the IAASB to enhance the quality of engagements that are increasingly expected to be conducted in the near future. At its September 2014 meeting, the IAASB approved the IAASB Innovation Working Group's recommendation to establish a separate IAASB Integrated Reporting Working Group. At the IAASB's December 2014 meeting, the IAASB Integrated Reporting Working Group

### Next steps for the IAASB's Integrated Reporting Working Group

- ❖ September 2015: Discussion Paper that will discuss the most relevant assurance issues in the area of integrated reporting and recommendations for IAASB responses.
- ❖ March 2016: Feedback Statement reflecting the IAASB's discussions with stakeholders, including responses received to the Discussion Paper.
- ❖ June 2016: Project proposal to the IAASB addressing the development of an international assurance standard or an International Practice Note to provide practical assistance to practitioners on the application of existing standards to the underlying subject matter related to integrated reporting.
- ❖ September 2016: Project proposal to the IAASB Consultative Advisory Group and the IAASB.

These are anticipated milestones and are dependent on market developments, discussions by the IAASB Consultative Advisory Group and the IAASB. Accordingly, these milestones may change over time.

<sup>29</sup> See also [The IAASB's Strategy for 2015–2019](#) and [The IAASB's Work Plan for 2015–2016](#).

provided an update to the Board on market developments in integrated reporting and emerging assurance issues.<sup>30</sup>

### *Dialogue*

The IAASB is engaging with the IIRC, as well as other standard setters and providers of guidance in the area of corporate reporting, to discuss developments in integrated reporting and emerging issues relevant to assurance on integrated reports.

The IIRC explored assurance issues with regard to integrated reporting during the development of the International <IR> Framework and issued two discussion papers on assurance on integrated reporting<sup>31</sup> and held roundtables in 2014. The discussion includes the expectations of users, the competence of assurance practitioners, the robustness of internal systems, quality of assurance, cost effectiveness of assurance and some new challenges in assurance created by integrated reporting. The feedback the IIRC received from its different stakeholders around the world will provide relevant input to the further work of the IAASB Integrated Reporting Working Group.

The IAASB will continue this dialogue with the IIRC and stakeholders in the corporate reporting supply chain as well as with national standard setters and IFAC committees<sup>32</sup> to further explore integrated reporting, the issues that need to be addressed at an international level and explore leveraging the work that has already been done.

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<sup>30</sup> See also the IAASB December 2014 [Agenda Item 10-B Briefing Paper – Market Developments in Integrated Reporting and Emerging Assurance Issues Relevant to IAASB](#)

<sup>31</sup> IIRC *Assurance on <IR> An Introduction to the Discussion* and *Assurance on <IR> An Exploration of Issues*, © July 2014 (<http://www.theiirc.org/resources-2/assurance/>) and the [response of the IAASB to the IIRC](#)

<sup>32</sup> For example, IFAC is working with the IIRC on a publication to further operationalize the concept of “materiality” in the integrated reporting context.

### **About the IAASB**

The IAASB develops auditing and assurance standards and guidance for use by all professional accountants under a shared standard-setting process involving the Public Interest Oversight Board, which oversees the activities of the IAASB, and the IAASB Consultative Advisory Group, which provides public interest input into the development of the standards and guidance. The structures and processes that support the operations of the IAASB are facilitated by the International Federation of Accountants (IFAC).

More information can be found: [www.iaasb.org](http://www.iaasb.org)

### **About IFAC**

IFAC is the global organization for the accountancy profession, dedicated to serving the public interest by strengthening the profession and contributing to the development of strong international economies. It is comprised of 179 members and associates in 130 countries and jurisdictions, representing approximately 2.5 million accountants in public practice, education, government service, industry, and commerce.

More information can be found: [www.ifac.org](http://www.ifac.org)

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