

Assurance Engagements with Regard to Integrated Reporting and Other Emerging Developments in External Reporting – Issues and Proposed Way Forward

Background

1. This paper is intended to (a) inform the IAASB Consultative Advisory Group (CAG) on the monitoring activities of the Integrated Reporting Working Group (IRWG) since the March 2015 CAG meeting, and (b) obtain views of the CAG on the issues raised and the proposed way forward.
2. In March 2015, the CAG advised the IRWG that more time for information gathering will be needed before an IAASB Discussion Paper on assurance matters related to integrated reporting and other emerging areas of external reporting could be developed, noting that the International Integrated Reporting Council's (IIRC) International Integrated Reporting Framework (International <IR> Framework) had only recently been put into use. In particular, the IRWG was asked to:
 - (a) Explore the role of various participants in the organizational and reporting supply chain (such as risk management, internal audit, auditors of Environmental/Social/Governance (ESG) information) and the extent to which their work adds to the credibility of the integrated report.
 - (b) Obtain further input from outreach to stakeholders such as: investors, audit committee members, directors, and internal auditors, as well as from academic research.
 - (c) Interact with other organizations that provide reporting guidance in this area, such as the Global Reporting Initiative (GRI).It was also suggested that:
 - (a) The work of the IRWG should be sufficiently flexible to accommodate what is needed in the marketplace as it evolves, rather than focusing on the development of separate topic-specific assurance standards.
 - (b) The IRWG first investigate the demand for assurance and thereafter analyze the extant standards to identify any gaps. It was noted that guidance could be developed to help assurance practitioners navigate through the standards.
3. The IRWG took into account the advice obtained from the CAG and the IAASB and developed a brief information document on its activities that was published in July 2015 (see **Agenda Item M.2**).

Dialogue with Stakeholders

4. At each of its meetings, the IRWG has interacted with investors, preparers, assurance practitioners, and representatives from organizations relevant to the topic of assurance on integrated reporting and other emerging areas of external reporting. An overview of those individuals, including those at the June 2015 IAASB meeting is included in Appendix 2.
5. The key messages from these discussions to date are:
 - (a) Investors use a wide variety of information to make their investment decisions and non-financial information is an important part. The annual report is only one of the sources. In addition, press releases, information from rating agencies, and information from investor roadshows and interviews with an entity's management are being used. The non-financial information is becoming important, and this trend is increasingly moving away from the niche of ESG

investors into the mainstream. Investors understand that companies are going through a development phase in compiling this information but prefer to have the information with some uncertainties noted in its measurement or compilation rather than not having the information at all. In particular, comparability is important to investors, as well as the ability to have easy access to concise, though complete information.

- (b) The relevance of the broader context of credibility and trust, including different lines of defense, as well as the rigor of external assurance.
- (c) The benefit of external assurance or other engagements is seen to be not only adding credibility to the reports, but also acting as a catalyst to improve internal reporting systems via comments in management letters or the performance of assurance readiness engagements.
- (d) The need for flexibility in the assurance and other types of engagements to enable them to be delivered appropriately wherever companies are along their integrated reporting process and reporting development and as such allow a growth path.
- (e) The challenge for assurance practitioners to also consider options outside of the current engagements covered by the International Standards of the IAASB, such as reporting on the maturity of systems and processes via a maturity diagram showing on a scale the current situation.
- (f) The challenge that further developments are needed in reporting guidance and that, in the absence of additional reporting guidance, companies develop their own methodologies for reporting particular information/indicators.

IIRC Consultation on Assurance

6. In July 2014, the IIRC published two papers: a consultation paper “Assurance on <IR>: Introduction to the discussion” and a more detailed paper “Assurance on <IR>: an exploration of issues”¹ (the IIRC consultation papers). They formed the basis for a broad consultation resulting in 63 written submissions being received by the IIRC and a debate via roundtables attended by around 400 people globally. In July 2015, the IIRC published a feedback statement and a call for action² (IIRC Feedback Statement). It summarizes significant matters raised in the debate on the IIRC consultation papers.
7. The IIRC noted that a range of technical challenges will be considered by assurance standard setters, in particular the IAASB and that the summary of feedback on these issues had therefore been kept quite brief in the IIRC Feedback Statement in the knowledge that the IRWG is reviewing responses in detail and is planning to develop a paper seeking further feedback.³
8. In the IIRC Feedback Statement, the IIRC calls on the IAASB to:
 - (a) Ensure the processes of the IRWG are inclusive of assurance practitioners and other stakeholders in addition to those in the accounting profession.
 - (b) Continue to evaluate the principles and characteristics of assurance and responses to the technical challenges raised in the IIRC consultation papers, and encourage research and

¹ See also integratedreporting.org/resource/assurance/.

² See also [Assurance on <IR>: Overview of Feedback and Call to Action, IIRC, July 2015](#)

³ Ibid IIRC Feedback Statement, page 18

innovation regarding assurance on integrated reporting, including the possibility of innovative approaches to resolving the identified assurance issues.⁴

9. The IRWG undertook a more detailed analysis of the responses to the IIRC consultation papers,⁵ which is included in Appendix 1.
10. For the IRWG, the key themes from this analysis are as follows:
 - (a) Organizations use a range of mechanisms to enhance credibility and trust, of which external assurance engagements are only one.
 - (b) Integrated reporting is relatively new and is still evolving; assurance on integrated reporting will need to evolve alongside the practice of reporting itself and the evolving user demand which is currently premature.
 - (c) Further insight needs to be obtained about the user's information needs and the demand for assurance engagements, in particular from the different types of investors.
 - (d) The current and expected demand for assurance is not only coming from external users, such as investors, but also from internal users, such as an entity's management and governance bodies, such as audit committees.
 - (e) The demand is likely to focus mainly on the integrated report itself, with only a few respondents expressing the view that assurance on the integrated reporting process may also be desirable.
 - (f) The innovation that is proposed mainly reflects alternatives to reasonable assurance engagements on the full integrated report at a stage where companies are still developing their reporting systems and criteria are still in development.
 - (g) There is strong support for the IAASB to take the lead in developing standards and guidance, to the extent this is needed, and liaising with national standard setters and international organizations preparing the reporting frameworks where relevant.
 - (h) For the time being, the IAASB's existing International Standards are sufficient, with a preference to develop an International Practice Note, in due course. Some noted the potential for a specific standard for assurance on integrated reporting when integrated reporting is more mature and that guidance would be needed in the meantime on reporting in different ways in the assurance report.
 - (i) On the priority of developing standards and guidance, the indications were mixed, which may be dependent on the stage of development of integrated reporting in particular jurisdictions.
11. The IRWG will build further on these key themes in its way forward.

⁴ Ibid.IIRC Feedback Statement, page. 7

⁵ IIRC [Assurance on <IR>. An Introduction to the Discussion](#) (July, 2014). In addition a background paper was published: [Assurance on <IR>, An Exploration of Issues](#) (July 2014).

Further Information-Gathering and Analysis Relevant to Developing the IAASB Discussion Paper

12. Based on research and discussions with experts invited to the IRWG meetings, the IRWG has identified areas where further information gathering will be performed in order to develop the IAASB Discussion Paper. Areas to explore include the following which are discussed below:
 - (a) A wider focus than integrated reporting;
 - (b) Assurance engagements in the broader context of credibility and trust; and
 - (c) A clearer view on the different options for the nature and scope of assurance engagements through developing an analysis model.

Widening the IRWG's and IAASB's Focus

13. The IRWG is exploring assurance against a wider range of reporting frameworks that are being used in addition to the International <IR> Framework. The IRWG noted that, despite jurisdictional differences, it is apparent from research performed to date that there is a trend that users have a need for other information in addition to financial statements to make their economic decisions. Despite the different subject matters these reporting frameworks intend to reflect, there are commonalities in their underlying content and purpose at a conceptual level. In addition, the IRWG notes that the IAASB's International Standards are aimed at application on a framework-neutral basis.

Assurance Engagements in the Broader Context of Credibility and Trust

14. The IRWG will further explore how the demand for assurance engagements fits in the broader context of credibility and trust. At the March 2015 CAG meeting, a suggestion was made to map the participants in the external reporting supply chain in a similar way as described within the *IAASB Framework for Audit Quality* and describe how each may contribute to credibility and trust. In doing so, it must be noted that external assurance, due to its unique characteristic of independence of the assurance practitioner, cannot be seen as an organizational "line of defense." This may need some further emphasis, also as the term "assurance" is often used by investors and others to describe something other than what is intended in the IAASB's International Standards.
15. Within the broader context of credibility and trust, innovation will also be further explored, as it is apparent that there may be a need for engagements other than assurance engagements, such as ratings or reporting against maturity models. The relevance of ISA 720 (Revised)⁶ in the context of audits of financial statements will also be considered in this context.

A Model for Considering Assurance Engagement Options

16. The IRWG will further explore developing an analysis model (based on the principles in the IAASB's International Framework for Assurance Engagements and ISAE 3000 (Revised)⁷). This model would consider options for assurance engagements starting with the "underlying subject matter"⁸, the "criteria" and the "subject matter information", the desired "assurance conclusion", and then identifying the related set of management "assertions" (analogous to those in ISA 315 (Revised)⁹) and how these relate to the nature of potential types of material misstatements. The IRWG discovered from its outreach that users, such as investors, find it difficult to describe their specific demand for assurance, in part because terminology used by assurance practitioners is not common to them. Describing different options for the nature and scope of assurance engagements would facilitate a discussion with users about the potential demand for assurance engagements.

17. The lack of suitable criteria for particular information or for measuring performance indicators may also impact the ability to conduct an assurance engagement or its nature and scope. The IRWG will further explore the criteria available for different potential underlying subject matters or subject matter information and identify what impact this may have on the nature and scope of assurance engagements that are possible within these constraints. The IRWG has already noted that currently, specific criteria for the reporting process, in particular, are missing.
18. In exploring the nature and scope of the assurance engagement, the IRWG will also explore the potential impact of carving out particular information from the scope of the assurance engagement, including assessing whether there is still a rational purpose for the engagement. Such carve outs may be caused, for example, by an inability to obtain sufficient appropriate evidence or by the fact that management has other ways to enhance the credibility of such information (making external assurance unnecessary). The IRWG will consider whether the explanation by management of how credibility has otherwise been established might influence the acceptability of carving out particular information from the assurance engagement. The IRWG intends to also consider situations when, for example, different assurance practitioners obtain assurance on particular elements included in the integrated report and the reporting implications for these practitioners.
19. Although the IRWG acknowledges that certain flexibility is needed in the nature and scope of the assurance engagements, it will also explore the risk of divergence in practice, in particular within similar types of assurance engagements.

Proposed Way Forward

Exploring Different Scopes of An Assurance Engagement

20. The IRWG intends to develop different possibilities for the nature and scope of an assurance engagement with regard to integrated reporting and other emerging developments in external reporting. The IRWG will attempt to develop a model that describes a consistent process that can be followed for the scope of the assurance engagement in accordance with ISAE 3000 (Revised) by identifying the underlying subject matter (for example, value creation), the criteria, the subject matter information (for example, all or parts of an integrated report), the desired assurance conclusion, and the management assertions and their relationship to the criteria and material misstatements.
21. The diagram below is derived from ISAE 3000 (Revised) and further adapted to the context of integrated reporting to provide a specific example of how ISAE 3000 (Revised) describes the different elements relevant to an assurance engagement, in this case with respect to an integrated report. It illustrates that:
 - (a) The organization as “responsible party” is responsible for the underlying subject matter (value creation over time).

⁶ ISA 720 (Revised), *The Auditor’s Responsibilities Relating to Other Information*

⁷ ISAE 3000 (Revised), *Assurance Engagements other than Audits or Reviews of Historical Financial Information*

⁸ Defined as in ISAE 3000 paragraph 12 as:

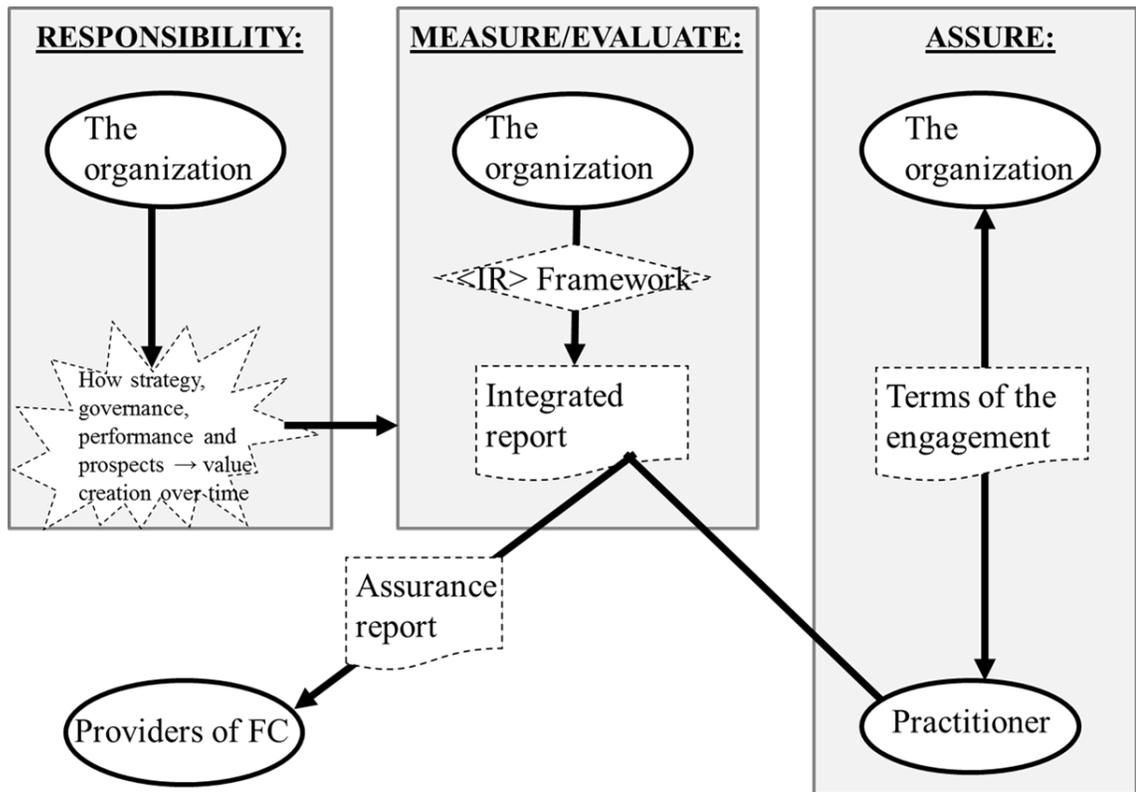
Subject matter information—The outcome of the measurement or evaluation of the underlying subject matter against the criteria, i.e., the information that results from applying the criteria to the underlying subject matter.

Underlying subject matter—The phenomenon that is measured or evaluated by applying criteria.

⁹ ISA 315 (Revised), *Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment*

- (b) The organization uses as “measurer or evaluator” criteria (the International <IR> Framework) to measure or evaluate the underlying subject matter (value creation over time) resulting in the subject matter information (the integrated report).
- (c) The organization agrees as “engaging party” with the practitioner the terms of the engagement with the practitioner.
- (d) The practitioner, who obtains 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 (the integrated report).
- (e) The intended users (providers of financial capital), make decisions on the basis of the subject matter information (the integrated report).

22.



23. Since ISAE 3000 (Revised) is an umbrella standard, it does not explicitly refer to particular assertions made by management on the underlying subject matter or subject matter information nor used by the assurance practitioner in considering the different types of potential misstatements.¹⁰ The IRWG intends to develop for different options of an underlying subject matter or subject matter information an accompanying management and related types of material misstatement.

¹⁰ By contrast, see for the financial statement audit the following paragraph from ISA 315:
 (a) Paragraph A123 lists assertions made by management: “In representing that the financial statements are in accordance with the applicable financial reporting framework, management implicitly or explicitly makes assertions regarding the recognition, measurement, presentation and disclosure of the various elements of financial statements and related disclosures”); and
 (b) Paragraph A124 lists assertions used by the auditor “Assertions used by the auditor to consider the different types of potential misstatements that may occur fall into the following three categories and may take the following forms ...”.

24. The IRWG believes that providing more concrete options for the assurance conclusion and the link to the underlying subject matter, the subject matter information and the management assertions, and describing what each entails and does not entail, will facilitate the ability of users of assurance reports to better describe their needs. It will also enable the IRWG to further clarify where the options differ from the already well-understood financial reporting-type options. It also reflects the Board’s concern that management assertions may not be sufficiently clear expressed in engagement letters in the assurance engagements currently being undertaken.
25. The table below provides some examples of different options the IRWG intends to explore to obtain further clarity in the nature and scope of assurance engagements.

	Full Report	Part of the Report	Process
Underlying Subject Matter	Value creation over time	Aspects of performance	Reporting process
Criteria	International <IR> Framework	Criteria by various organizations (for example, criteria included in the GRI “G4” Sustainability Reporting Guidelines)	Internal control criteria (for example the COSO ¹¹ Internal Control Framework)
Subject Matter Information	Integrated report	Key performance indicators (KPIs)	Internal control or management assertion about the internal control over the preparation and presentation of the integrated report
Assurance Conclusion	e.g., “is prepared, in all material respects, in accordance with the International <IR> Framework”	e.g., “presents fairly, in all material respects, the [specify the KPIs subject to the engagement] of the entity as at [date] or for the [period] ended [date] in accordance with [specified criteria]”	e.g., “the entity maintained, in all material respects, effective internal control over the preparation of an integrated report as of [date] based on the [specified criteria].”
Management Assertions	e.g., assertions related to report content, measurement or evaluation of matters reported and communication/presentation in the report	e.g., assertions relating to recognition, measurement and presentation of KPIs	e.g., assertions relating to design and operating effectiveness of the reporting process

¹¹ Committee of Sponsoring Organizations of the Treadway Commission. Although designed in the context of financial reporting its concepts might also be used to address the integrated reporting process

The Nature of Material Misstatements	e.g., omissions or misstatement of matters that substantively affect the ability of the organization to create value over time that is sufficiently relevant to affect the economic decisions of providers of financial capital	e.g., misstatement of the measurement or presentation of a KPI, or omission of material disclosure regarding a KPI	e.g., a lack of a material control, or a material control in place that is not operating effectively
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26. Developing an analysis of such options will enable the IRWG to explore whether there are limitations in executing each option at different stages of development by entities of their integrated reporting process. It would also enable consideration of what is possible within current reporting frameworks, whether they provide suitable criteria, or where additional criteria may need to be developed. The IRWG is also exploring how to identify the areas where a material misstatement of the subject matter information is likely to arise and how to best classify the nature of such different material misstatements in the context of integrated reporting and other emerging developments in reporting.
27. The IRWG also noted from the responses to the IIRC consultation papers that the IAASB's International Standards, in particular ISAE 3000 (Revised), are not always well-understood. The IRWG believes that using examples in the Discussion Paper could help provide a better understanding of the flexibility and range of possibilities for assurance engagements that could be performed in accordance with ISAE 3000 (Revised) as currently drafted.

Gap Analysis

28. Once further insight is obtained about the possibilities for the scope of the assurance engagements, the IRWG intends to perform a gap analysis against the existing International Standards, which responds to earlier suggestions by the CAG and Board in this regard.

Outreach

29. Further outreach and other information-gathering activities will be performed during the process of developing the Discussion Paper, including engaging with:
- (a) Assurance practitioners currently performing these types of engagements, to obtain further insight into the demand for assurance, the key assurance issues they identify, and any gaps they have experienced in the IAASB's International Standards.
 - (b) National standard setters that are currently addressing this demand in their jurisdictions, to explore the issues they identify as well as where the IRWG can leverage their work.
 - (c) IIRC, GRI and the World Business Council for Sustainable Development who have been or are in a process of exploring assurance engagements with regard to the guidelines issued by their organizations.
30. Also, developments in and research performed by organizations will be explored including:
- (a) Stock exchanges, via the World Federation of Exchanges, who focus increasingly on ESG initiatives and recently reported that 37% of exchanges (21 out of 56) require listed companies

to disclose at least some ESG information, whether on a mandatory or voluntary basis, which goes beyond corporate governance criteria (of which 10 said that such inquiries are on the increase).

- (b) Credit rating agencies such as Moody's Investors Service, Standard & Poor's and Fitch Ratings who control approximately 95% of the rating industry.
 - (c) Investors, in particular institutional investors, to obtain insight into their decision-making process, the type of information they are using, the quality they require for this information and the assurance engagements that are most relevant to them.
 - (d) Management of reporting entities, in particular Chief Financial Officers, since the demand for assurance is also coming from them. In this regard, further contact will be sought via the IFAC Professional Accountants in Business Committee.
 - (e) Regulators (such as the International Organization of Securities Commissions) and oversight bodies, as in some countries they are already active or exploring developments in integrated reporting and other emerging areas of external reporting, including assurance engagements, such as the Authority for Financial Markets in the Netherlands.
31. In addition to the two research papers on integrated reporting discussed at the IAASB March 2015 meeting,¹² currently a call for research of the International Association of Accounting and Auditing Education Research/Institute of Chartered Accountants in Scotland/IAASB¹³ is open that includes the topic of integrated reporting. Submissions are due by October 1, 2015. Also further academic research is currently ongoing that will inform the IRWG about assurance with regard to integrated reporting and other emerging areas of external reporting.

Discussion Paper

32. The objectives of the discussion paper will be to:
- (a) Facilitate dialogue with investors, preparers and practitioners and obtain further insight into the demand for professional services and activities to enhance the credibility of external reporting, whether on the whole of the report, on key components, or on the underlying systems or processes, as well as the nature of assurance or other engagements that would be most relevant and informative to users.
 - (b) Explore the different possibilities within the IAASB's existing International Standards, in particular ISAE 3000 (Revised), and the relevance of ISA 720 (Revised) in connection with the audit of financial statements.
 - (c) Explore in greater detail assurance issues emerging from the responses to the IIRC consultation papers.
33. The initial thinking of the IRWG is to consider topics including:
- (a) The rationale for action by the IAASB, including:
 - (i) The suite of International Standards, taking a principles-based approach that can be applied regardless of the underlying reporting framework.

¹² See IAASB March 2015 [Agenda-Item 10-A](#)

¹³ See [IAAER/ICAS/IAASB Research Funding Opportunities](#)

- (ii) The need to prevent potential divergence in practice with regard to similar assurance engagements.
- (b) Why delivering assurance engagements in relation to integrated reports and similar reports is proving to be challenging for practitioners, including reference to the maturity issues in both existing reporting frameworks as well as the reporting processes within reporting entities.
- (c) The development of related standards or guidance to the extent considered necessary in due course, following up the IIRC consultations indicating clear support for the IAASB to be the appropriate body to develop thinking in this area. In this regard, the IAASB's more detailed analysis and key areas where further consultation is needed would be described in detail.
- (d) Where assurance engagements sit in the wider context of credibility and trust, in relation to such reporting, including the role of ISA 720 (Revised) (what it can contribute and its limitations).
- (e) Different options for the nature and scope of an assurance engagement (for example, a full scope engagement to report on compliance of the integrated report with the <IR> Framework, as distinct from one addressing only selected content of the integrated report or only certain guiding principles or the reporting process), including example descriptions of:
 - (i) The assurance practitioner's conclusion;
 - (ii) The set of management assertions that underlie that conclusion and how these relate to the criteria, and what would constitute a material misstatement; and
 - (iii) The underlying subject matter and subject matter information.
- (f) The IAASB's gap analysis, describing what can be done already within the existing International Standards and where further development of standards or guidance will be of assistance to the IRWG.

Future Timeline

34. Taking into account the recommendation made by the Board not to make the timeline too rigid, a tentative timeline could be as follows:
- (a) October 2015: IRWG meeting to discuss the outcome of the September 2015 CAG and Board meetings and further information-gathering activities;
 - (b) December 2015 Board meeting: discussion of outcome from further information-gathering;
 - (c) March 2016 CAG and Board meetings: discussion of first outline; and
 - (d) May 2016 NSS meeting: Discussion with NSS.

The Discussion Paper is expected to be published in the course of 2016, subject to the outcome of further CAG and Board meetings.

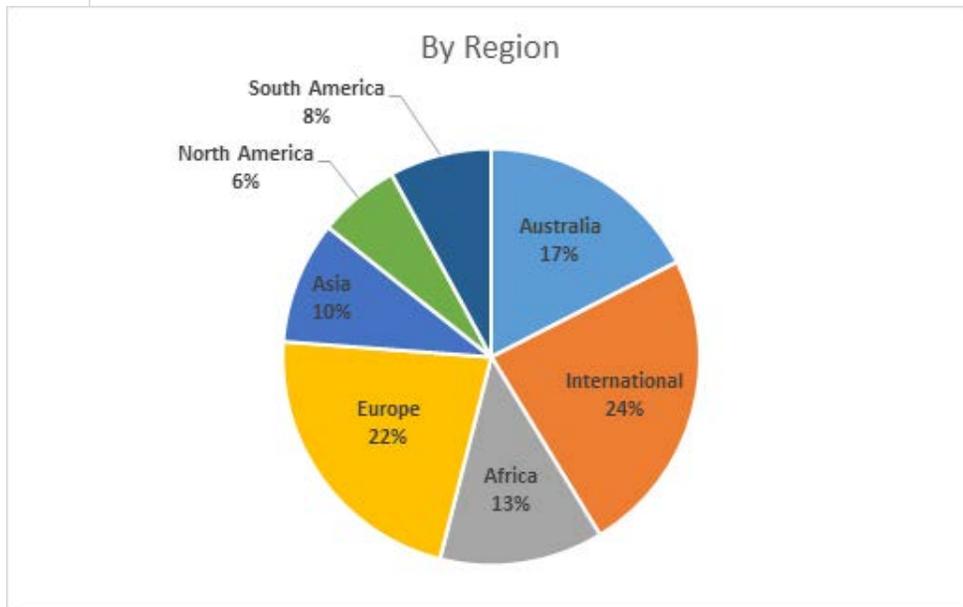
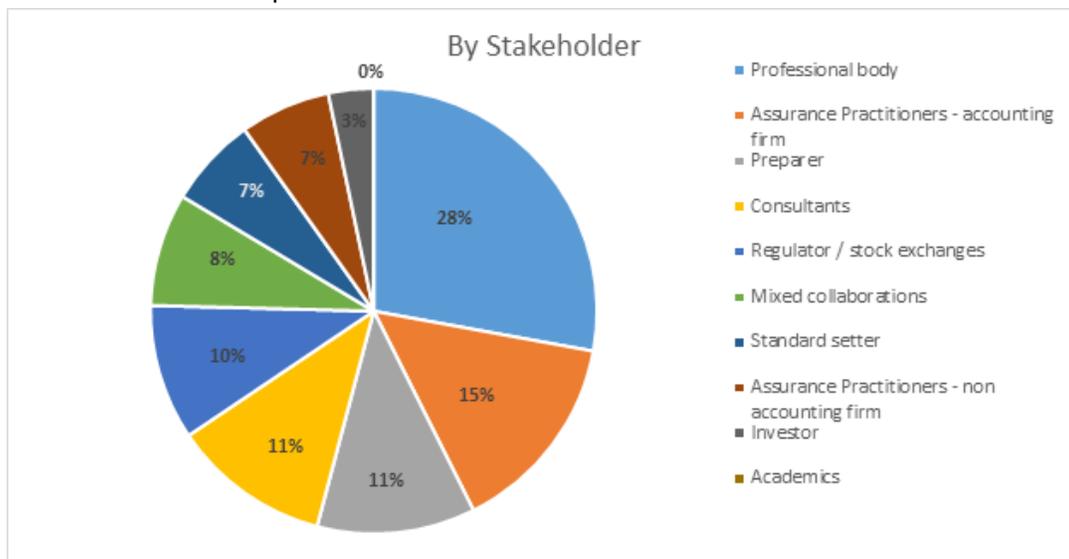
Matters for IAASB CAG Consideration

- 1. The Representatives and Observers are asked for their views on the proposed way forward set out above, including on:
 - (a) Areas of focus in the IRWG's planned further information-gathering and analysis (see paragraphs 12 –19);

- (b) The proposed way forward in developing the Discussion Paper, in particular the preliminary thinking in paragraph 25 (see paragraphs 20–30);
 - (c) The objectives and possible content of the Discussion Paper (see paragraphs 32–33); and
 - (d) The timeline (see paragraph 34).
2. Representatives and Observers are invited to share any further observations with respect to the IRWG’s analysis of responses to the IIRC’s consultations, or any other matters relevant to the IRWG’s work.

IRWG’s Detailed Analysis of the IIRC responses

1. The IRWG analyzed the 63 comment letters the IIRC received to the IIRC consultation papers. The overview shows that the majority of responses came from professional bodies, assurance practitioners and consultants.
2. The response rate of investors is low with only two response letters specifically from investors.¹⁴ However, more investors participated in the IIRC roundtables and some response letters included feedback from these roundtables, including explicit references to investors. One or more members of the IRWG attended most of these roundtables. Different respondents suggested in their comment letters that further insight into the needs of investors and other users would be helpful to confirm their current and expected future information needs, and the independent assurance they might desire, both in terms of the scope and level of assurance.



¹⁴ Investors: Regnan (Australia) and the Corporate Reporting Users' Forum (International)

3. The following tables and narratives summarize the responses to the IIRC consultation. This is a summary of a more elaborated analysis prepared by the IRWG.

Demand for assurance engagements

What are the key features of assurance that best suit the need of users of integrated reports in years to come?	Total No.	% (of 63)
Demand for Assurance		
Premature – users’ needs have still to be established / market demand may evolve	31	49%
External assurance not supported, could be detrimental to development of IR /is not a regulatory requirement / not requested	9	14%
Independent external assurance may be sought by		
External users 30 of these respondents also indicated assurance may be sought by internal users	40	63%
Key features of the demand		
Assurance on integrated report (e.g. specific subject matters: relevant indicators, materiality / management’s response to material issues)	29	46%
Assurance on the process	5	8%
References to innovative approaches	16	25%
Maturity Model / Credence Model	4	6%
Combined approach external assurance practitioners, internal auditors, maturity of internal control systems	6	10%
Hybrid - Modular approach - mix of reasonable / limited assurance	6	10%

4. *Demand for assurance and enhancing credibility and trust (31 responses)* - It was indicated that the demand is currently premature, that user needs still have to be established, but do expect that the demand may evolve.
5. Further 9 respondents did not support external assurance at this stage either because they thought it could be detrimental to the development of integrated reporting or because it is not a regulatory requirement.
6. It was also noted that external assurance needs to be seen in a wider context of enhancing credibility and trust. In this regard, they also referenced the relevance of internal audit, the entity’s measures to ensure the robustness of its internal systems, and the “lines of defense” through controls in day-to-day operations, compliance and risk management functions and internal control as well as governance oversight.
7. It was expected that, as integrated reporting practice develops, the demand for assurance will develop alongside this, gradually increasing the scope of the assurance engagement. It was also noted that assurance readiness reviews would initially be more useful at this preliminary stage, ultimately leading to assurance engagements over the entire integrated report in later years. It was

also suggested that a roadmap for assurance over time be made, with the scope of assurance growing over time to cover more areas of the integrated report.

8. *Demand for assurance (40 resp. 30 responses)* - that demand for assurance will likely come from external users, such as investors, with 30 also indicating that internal users, such as a entity's management will also likely generate a demand for assurance.
9. *Innovation (16 responses)* – It was noted that with integrated reporting still in development, the market demand may be better served through more innovative approaches.
 - (a) Four argued that information does not need to be 'hard' to be valuable, but users need to know what is behind the information – the inherent measurement uncertainty, the maturity of the frameworks for measuring and reporting it, how mature the entity's systems and processes are for managing it, what the entity has done to be satisfied with its credibility, and whether it is information the entity uses to manage the business. Others noted that the robustness and maturity of an organization's integrating thinking and reporting processes could perhaps be benchmarked against the International <IR> Framework. They referenced a maturity (or credence) model to describe the maturity of: (a) the reporting process, (b) the criteria, and (c) the robustness of the data.
 - (b) Six made a reference to a combined approach of external assurance practitioners and internal auditors, similar to, but perhaps more overt than, the approach that is often used in financial statement audits. They also suggested that this makes more sense when the reporting systems, including internal control systems are not yet mature.
10. Six suggested innovation through hybrid engagements and the need for more flexibility in subjecting some parts of the integrated report to reasonable assurance and other parts to limited assurance. Such an approach is already possible within ISAE 3000 (Revised). However as it references to reasonable and limited assurance engagements it may not be apparent.

Type of standards and guidance to be developed

What type of standards or guidance should be developed?	Total No.	% (of 63)	Comments
If developed should be done by:			
IAASB and National Standard Setters (NSS)	53	84%	22 of these respondents suggested both IAASB and "Other relevant NSS", the remainder suggested the IAASB.
International Organization for Standardization (ISO), Accountability, Social Accountability International / Institute of Internal Auditors (IIA)	8	13%	
Working with the IIRC (& GRI)	12	19%	
Type of Guidance			
IAASB Framework & ISAE 3000 (Revised) supplemented by International Practice Note/Guidance in the short – medium term	34	54%	Respondents supported guidance based on existing assurance standards in the short term before developing separate IR standard/s.

What type of standards or guidance should be developed?	Total No.	% (of 63)	Comments
Separate Assurance Standard on IR	9	14%	Respondents supported need for separate IR standard/s to be developed when <IR> Reporting is more mature.
Guidance on Innovative approaches at this early stage of development e.g. Maturity Model (Credence Model), Modular/Hybrid	14	22%	Respondents sought guidance on implementation of maturity model or other innovative approaches
Guidance on assurance report	16	25%	In particular long form report
Priority			
- High	26	41%	
- Not a priority	21	33%	

11. *Development of standards and guidance* – With regard to who should develop new assurance standard(s) and/or guidance to ensure consistency of approach in the area of integrated reporting, if these are needed, 53 out of 63 respondents said the IAASB should do this. 22 of these respondents noted that this should be done together with other national standard setters, 5 of these that also suggested working with public sector bodies (for example, the International Organization of Supreme Audit Institutions and the United States Government Accountability Office). It was also noted by 12 respondents that it is important to work together with the IIRC; and some also noted that collaboration with the GRI should occur. 8 out of 63 mentioned that other standard setters could develop or be involved in standard setting for assurance on integrated reporting. In this context, organizations referenced included the ISO, AccountAbility (AA), Social Accountability International and the IIA. Those who referred to other standard setters noted that standards like those from the AA, ISO, GRI and the American Institute of Certified Public Accountants (AICPA) (AT101) could be used, often in combination with ISAE 3000 (Revised). In the latter case, this was in particular with regard to assurance engagements on the management process and internal controls, including for stakeholder engagement.
12. *Type of standards and guidance that could be developed* - Of the respondents that referred to the IAASB, 34 out of 53 believe that ISAE 3000 (Revised) could, in the medium term, be supplemented by International Practice Notes that explain the applicability of ISAE 3000 (Revised) in the area of integrated reporting. In total, 9 out of 53 believe that it would be better to develop a separate standard for assurance on integrated reporting when integrated reporting is more mature.
13. *Innovation* – 14 responses made explicit reference to developing guidance on a more innovative approach to enhance credibility and trust at this early stage of development in integrated reporting and noted that this may better suit users’ needs.
14. *Assurance report*- 16 responses were also received seeking further guidance on the form of the assurance report and, in particular, on a long-form report. Those that earlier responded that further innovation was needed indicated that further guidance on reporting on the maturity on the different aspects of the report and reporting process would be needed. Seven respondents that earlier suggested engagements to map the maturity of the entity’s system and processes with regard to particular information elements suggested reporting through a maturity diagram.

15. *Priority* - The views on the priority of developing any standards or guidance were mixed. 26 respondents believed the development of standards or guidance should have a high priority, while 21 did not perceive it as a priority for the time being.

Responses and comments on other matters

16. There was a mix of views with regard to the levels of assurance that were seen as most appropriate, but in general there was support for the existing model as included in ISAE 3000 (Revised). Two South African responses noted a combined assurance approach and three noted that an agreed-upon-procedures engagement could be performed for internal use.
17. The feedback on the more detailed technical assurance issues already included in the IIRC Consultation Paper varied ranging from 16-32 responses.
18. The IIRC introduction consultation paper identified and described the technical assurance issues as follows:¹⁵
- (a) *Materiality* - Using a materiality level or threshold to guide judgements in planning and performing an assurance engagement involves such issues as defining a material error or omission, applying qualitative considerations and assessing aggregated misstatements.
 - (b) *Reporting Boundary* - The International <IR> Framework notes that identifying and describing outcomes may require disclosure of effects on capitals up and down the value chain. If information from outside of the financial reporting entity is included, determining what constitutes sufficient appropriate evidence with respect to such information and designing procedures to obtain that evidence may present challenges.
 - (c) *Connectivity* - Issues include the nature and extent of procedures to determine whether an integrated report demonstrates sufficient connectivity, and the evidence required to support an organization's assertions about the cause of certain connections.
 - (d) *Completeness* - Assessing the completeness of an integrated report is likely to be a significant concern to assurance practitioners, including the interplay of completeness with: (a) the concept of conciseness; and (b) exclusions allowed for by the International <IR> Framework regarding the unavailability of reliable information, specific legal prohibitions and information that would cause significant competitive harm.
 - (e) *Narrative reporting and future-oriented information* - Disclosures in an integrated report might include soft narrative or future-oriented information that require the assurance practitioner to exercise a high degree of professional judgement and skepticism; in some cases it may be difficult to obtain sufficient appropriate evidence to support such disclosures.
19. *Materiality* (23 responses) - The majority noted the materiality determination process as one of the most fundamental aspects in the reporting process itself and for which further guidance needs to be developed to enable consistent application of this guiding principle. Another challenge is that the principle of materiality is applied in the different reporting frameworks (such as the International Accounting Standards Board, IIRC, and GRI) with a different focus as both the underlying subject

¹⁵ Introduction consultation paper, paragraph 4.8; each of the issues are discussed in more detail in the paper 'Assurance on <IR>: an exploration of issues'.

matter and user group is different for each of these reporting frameworks. IFAC and the IIRC are currently undertaking a project to develop further guidance on applying materiality.

20. Respondents also referred to materiality in the context of the assurance process and referenced that further deliberation on a framework or process for determining materiality thresholds for material misstatements in the integrated report would be needed. It was noted that with the different capitals it will be difficult and most likely not even possible to articulate an identical threshold of materiality for all the information in the integrated report.
21. *Reporting boundary* (20 responses) – Most noted the importance of explicitly including in the integrated report how the boundary has been defined by management. It was also noted that further reporting guidance would be needed for the process to define the reporting boundary otherwise evidence gathering will become an indefinite and costly exercise.
22. *Connectivity* (17 responses) - These respondents noted the need for further reporting guidance on the application of this new principle in reporting and on how to assess the appropriateness and completeness of "connectivity", as otherwise this will inevitably lead to variance in practice. A few also noted the link to the reporting boundary as some of the connected information may be outside of the scope of the integrated report. A few also questioned whether it is possible to obtain sufficient appropriate evidence with regard to this principle.
23. *Completeness* (16 responses) – These respondents noted the reporting challenges of balancing conciseness and completeness and the challenges for assurance practitioners to assess both aspects, and questioned whether the International <IR> Framework provides sufficient guidance on this. Some noted the relevance of having a good understanding of the client's business and a thorough examination of the preparer's approach to assessing materiality and the completeness of the integrated report, while others noted that given the difficulties of obtaining sufficient appropriate evidence regarding this guiding principle, it would not be practical to include this in the scope of the assurance engagement.
24. *Narrative reporting and future orientated information* (26 responses) – Some respondents noted that it would be difficult to determine whether narrative information is balanced and neutral. Most comments made concerned future orientated information. Although a few noted that there is some guidance available on future orientated information within the ISAs and ISAEs, different respondents expressed their concerns about having the assurance practitioner consider the reasonableness of assumptions and related disclosures and noted that even providing some level of assurance on assumptions would seem to imply some association with the future oriented information itself. They noted that use of a consistency check, similar to ISA 720 (Revised) in the financial statement audit, might be more appropriate.

Appendix 2

List of stakeholders with whom assurance on integrated reporting has been discussed during IRWG and IAASB meetings

Preparers:

Kathryn Caulfield/Aileen Zerrundo, Clorox company (USA)

Jennifer Crutchfield, Adobe (USA)

John Lelliott, The Crown Estate (UK)

Mary O'Malley, The Prudential Insurance Company of America (USA)

Suzanne Stormer, Novo Nordisk (Denmark)

Stathis Gould, Public Accountants in Business (International)

Investors:

Martijn Bos, Eumedion (Netherlands)

Joyce Haboucha, Rockefeller & Co (USA)

Liz Murrall, The Investment Association (UK)

Assurance practitioners:

Wim Bartels, KPMG (International)

Diana Hillier, PwC (International)

Douglas Johnston, EY (UK)

Benjamin Miller, EY (International)

Jonathan Morris, BSR Assurance and Consulting (USA)

Todd Rahn, Deloitte (USA)

Matt Ruter, EY (USA)

Accountancy bodies/standard setters:

Desire Carroll, AICPA (USA)

Paul Hurks, NBA (Netherlands)

Reporting Guidance:

Paul Druckman, IIRC

Neil Stevenson, IIRC

Mark Brand, IIRC

Matthias Schmidt, IIRC

Other outreach activities

Attendance at the annual IIRC Pilot Program conference October 2014