

**Meeting:** IAASB  
**Meeting Location:** New York, USA  
**Meeting Date:** March 14-18, 2016

## Agenda Item 5

### Integrated Reporting Working Group (IRWG)

#### Objectives of Agenda Item

1. The objectives of this agenda item are to:
  - (a) Inform the Board on the activities of the IRWG to date.
  - (b) To obtain views from the Board on the draft Discussion Paper *Supporting Credibility and Trust in Emerging Forms of External Reporting* (see **Agenda Item 5-A**).
2. The discussion of this topic will follow the order on the section **Actions Requested** below.

#### Integrated Reporting Working Group

3. The IRWG was launched in September 2014 and consists of the following members:
  - Merran Kelsall, IAASB Member and Chair of the IRWG
  - Marek Grabowski, IAASB Member
  - Ron Salole, IAASB Member
  - Sue Almond, IAASB Technical Advisor
  - Beth Schneider, Director Deloitte
  - Sandy van Esch, Representative of Independent Regulatory Board for Auditors (IRBA)
  - Michael Nugent, Technical Director International Integrated Reporting Council (IIRC) (Correspondent Member)

#### Activities

4. September 2014 - Initiation of the IRWG. The Terms of Reference for the IRWG include monitoring the developing interest in integrated reporting and the demand for assurance on integrated reports. This included 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.

5. December 2014 – Discussion at the IAASB meeting on the objectives, stakeholder engagement and proposed timeline as well as a Briefing Paper “Update on Market Developments in Integrated Reporting and Emerging Assurance Issues” summarizing some existing market research and investor and preparer surveys to date both with regard to integrated reporting and other emerging assurance issues.
6. March 2015 – Discussion on the Staff Awareness Paper “Assurance on Integrated Reports: An Emerging and Innovative Landscape”.
7. June 2015 – Panel discussion with external experts to update the Board on developments in integrated reporting and other developments in external reporting and the relevant assurance issues to date.
8. July 2015 - Issued Working Group Publication: *Exploring Assurance on Integrated Reporting and Other Emerging Developments in External Reporting*.<sup>1</sup>
9. September 2015 - Discussion on market developments, assurance issues and proposed way forward.

#### Activities since September 2016, IAASB Meeting

5. Since the September Board meeting, the IRWG has had physical meetings in October 2015, December 2015 (during Board meeting) and February 2016 and held teleconferences in November, January and February and further liaised electronically.
6. In developing the draft discussion paper, the IRWG:
  - (a) Had interaction with investors, preparers and practitioners of which a list is included as **Appendix A** of this cover note;
  - (b) Considered a wide range of publicly available information, including surveys, reports and academic research;
  - (c) Performed a preliminary gap analysis between key assurance issues identified and its existing standards to identify at a high level any barriers in the standards that would prevent the flexibility needed in this emerging area, or potential missing guidance to facilitate the quality of engagements that are performed. The key messages are reflected in Section IV on the discussion of assurance issues in **Agenda Item 5-A**.
10. The key messages from information-gathering are reflected in the draft discussion paper and relate to three key themes:
  - (a) The evolving nature of emerging external reporting (EER). There is a demand for wider information and this is reflected in the various EER frameworks being developed.
  - (b) The demand for action to support credibility and trust. This demand is broader than just assurance engagements. It also includes demand for action to enhance credibility and trust

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<sup>1</sup> [www.iaasb.org/publications-resources/exploring-assurance-integrated-reporting-and-other-emerging-developments](http://www.iaasb.org/publications-resources/exploring-assurance-integrated-reporting-and-other-emerging-developments)

through effective governance and control – looking to the roles of the different ‘lines of defense’, and the oversight of those charged with governance, within the entity.

- (c) The flexibility in ‘external assurance’ as reporting frameworks evolve. There is a need for flexibility in the nature of ‘external assurance’ to enable it to be delivered appropriately wherever companies are along their path of development in terms of assimilating the wider impacts of the organization into their business processes and information systems, whilst encouraging and nurturing such development. This includes a need to consider innovation in ‘external assurance’ engagements beyond those covered by the IAASB’s International Standards, such as reporting on the evaluation or assessment of the maturity of the organization’s systems and processes.
11. The IRWG also noticed during its information-gathering activities that some elements within its International Standards are not correctly interpreted, in particular with respect to limited assurance engagements. Also, the IRWG identified with regard to assurance engagements, that the root cause of some assurance challenges identified within assurance engagements by practitioners were actually reporting framework issues caused by the fact that the reporting framework is in development.
12. In developing the structure for the draft discussion paper, the IRWG therefore took the following approach:
- (a) The factors that influence credibility and trust internally and externally;
  - (b) The demand for professional services by practitioners, internally and externally, in the broader context of credibility and trust, in particular the nature of assurance or other engagements that would be most relevant in meeting the expectations of users of EER, recognizing the need for innovation due to new EER Frameworks and new features of governance processes (Section III);
  - (c) The implications for standard-setting:
    - Coverage: The type of engagements performed by practitioners to be covered by the International Standards;
    - Flexibility: The flexibility in the International Standards to accommodate engagements with regard to EER; and
    - Guidance: The guidance needed in the International Standards, in particular for the assurance model as covered in ISAE 3000 (Revised) to facilitate globally consistent interpretation in performing assurance engagements. This includes the need for guidance on competencies and how to most effectively communicate the outcome of an assurance engagement (Section IV); and
  - (d) The best way to continue the dialogue with stakeholders and international organizations on supporting credibility and trust in EER.
13. The IRWG would like to point out to the Board that the paper is still in development and therefore the content of some tables is missing, and that some sections of the text, such as that describing different types of engagements or describing particular assurance challenges, still needs more work.

## Way forward

14. The IRWG intends to:
  - (a) Continue the dialogue: After the discussion with the IAASB and IAASB CAG the IRWG intends to have further dialogue to explore the relevance and completeness of the topics in the discussion paper, including:
    - the Global Public Policy Committee, Forum of Firms, Professional Accountants in Business, Small and Medium Sized Practices Committee;
    - Organizations that develop EER frameworks.
  - (b) Explore views of national auditing standard setters (NSS) during the IAASB-NSS meeting;
  - (c) Schedule a next version of the IRWG discussion paper for the June IAASB meeting.
15. The publication of the Discussion Paper is dependent on the outcome of the discussions in the IAASB and IAASB CAG.
16. The IRWG anticipates a comment period of 100 days.

## Action Requested

17. The IRWG realizes that further work needs to be done on the draft discussion paper, but would appreciate the view of the Board on **Agenda Item 5-A**. In particular, we would like to obtain views from the Board on:

### Content

- (a) *The broader context of credibility and trust*: Is discussing professional services in the broader context of factors that influence credibility and trust helpful? Would there be any other factors that need to be considered? (Section III of **Agenda Item 5-A**);
- (b) *Professional services*: What type of professional services are relevant in strengthening credibility and trust in EER? Are there in your view any other types of professional services that are missing? Is innovation in professional services sufficiently addressed? (Section III of **Agenda Item 5-A**); and
- (c) *Assurance Issues*: The overview provides an insight into the challenges in assurance engagements that are emerging due to EER Frameworks, the maturity of governance and reporting processes. Are these assurance issues the most relevant ones? Are there any relevant assurance issues missing? (Section IV of **Agenda Item 5-A**).

### Clarity

- (a) Whether the draft Discussion Paper is sufficiently clear to understand the issues;
  - (b) Whether the flow of the draft Discussion Paper is appropriate; and
  - (c) Whether the questions are appropriate to solicit feedback from a broad range of stakeholders.
18. The Board is also asked to share:
    - (a) Initiatives or activities of others that should be highlighted in the Discussion Paper; and

- (b) Suggestions on any specific considerations related to SMEs/SMPs or the public sector that may be relevant to highlight.

**Material Presented**

Agenda Item 5-A

Working Group Draft Discussion Paper: *Supporting Credibility and Trust in Emerging Forms of External Reporting*

**List of stakeholders with whom assurance on Emerging forms of External Reporting has been discussed during IRWG and IAASB meetings**

**Preparers:**

1. Simon Braaksma, Philips (Netherlands)
2. Kathryn Caulfield/Aileen Zerrundo, Clorox company (USA)
3. Jennifer Crutchfield, Adobe (USA)
4. Antonio Fuertes, Gas Natural (Spain)
5. John Lelliott, The Crown Estate (UK)
6. Mary O'Malley, The Prudential Insurance Company of America (USA)
7. Dylan McNeill, Philips Lightning (Netherlands)
8. Suzanne Stormer, Novo Nordisk (Denmark)
9. Femke Weijtens, formerly DSM, audit committee member Wereldhave (Netherlands)
10. Stathis Gould, Public Accountants in Business (International)

**Investors:**

11. Rients Abma, Eumedion (Netherlands)
12. Martijn Bos, Eumedion (Netherlands)
13. Linda Broekhuizen, FMO (Netherlands)
14. Justine Chang Pan Huo, FMO (Netherlands)
15. Joyce Haboucha, Rockefeller & Co (USA)
16. Liz Murrall, The Investment Association (UK)

**Assurance practitioners:**

17. Wim Bartels, KPMG (International)
18. Remco Bleijs, EY (Netherlands)
19. Agustin Parisi, EY (International)
20. Diana Hillier, PwC (International)
21. Douglas Johnston, EY (UK)
22. Benjamin Miller, EY (International)
23. Jonathan Morris, BSR Assurance and Consulting (USA)
24. Todd Rahn, Deloitte (USA)

25. Matt Ruter, EY (USA)

**Accountancy bodies/standard setters:**

26. Desire Carroll, AICPA (USA)

27. Paul Hurks, NBA (Netherlands)

28. Ciara Reintjes, IRBA (South Africa)

**Reporting Guidance:**

29. Paul Druckman, IIRC

30. Neil Stevenson, IIRC

31. Mark Brand, IIRC

32. Matthias Schmidt, IIRC

**Other outreach activities**

- Participation in IIRC Assurance Roundtable – September 2014
- Attendance at the annual IIRC Pilot Program conference - October 2014
- Interaction with IIRC leadership during 2014 and 2015
- Participation in United Nations Conference on Trade and Development-International Standards of Accounting and Reporting Consultative Group Meeting on Enhancing the Role of Reporting in Attaining the Sustainable Development Goals March 2015
- Participation in roundtable at the Principles for Responsible Investment – September 2015
- Participation in Global Reporting Initiative Assurance Roundtable – September 2015
- Discussion at the IAASB-National Auditing Standard Setters meetings in 2014 and 2015
- Engagement with WBCSD during 2015