

Integrated Reporting WG

Merran Kelsall, IAASB Member and
Integrated Reporting Working Group
Chair

IAASB Meeting

March 16, 2016

Public Interest

- Keep the International Standards fit for purpose in a changing EER landscape
- Support practitioners who respond to the demand to enhance credibility of information, including via emerging engagements currently outside the scope of the current IAASB standards
- Support the quality of assurance engagements while acknowledging the flexibility needed in this emerging reporting landscape
- Prevent inconsistencies or incorrect interpretation in applying the International Standards
- Continue stakeholder engagement in the external reporting supply chain to monitor needs and challenges

Key Messages from the IAASB CAG Consultations (1/2)

- Support for the broader issue of credibility and trust and the identified factors that play a role
- Foster trust already built with financial statement audits and prevent undermining this
- Professional services to be covered by the International Standards:
 - Should be demand-led, with demand coming from internal and external stakeholders
 - Caution to consider professional services outside the current scope of the International Standards
 - Consider to include direct engagements

Key Messages from the IAASB CAG Consultations (2/2)

- Support for exploring innovation in EER and assurance, including the role of IT and using KAMs in this area
- Consider what constitutes a sufficient mature reporting system
- Consider the cost/benefits of assurance
- Include SMP angle
- Explore in more detail the concept of materiality
- Mixed views on the timeframe in which to take action

Actions in Preparing the Draft DP

- Deliberations with Board and CAG
- Interaction with investors, preparers and practitioners;
- Consideration of a wide range of publicly available information, including surveys, reports and academic research
- Preliminary high-level gap analysis between key assurance issues identified and the IAASB International Standards

Conclusions From These Actions

- Evolving nature of emerging external reporting (EER):
 - Demand for wider information reflected in the various EER frameworks being developed
- Demand for action to support credibility and trust:
 - Demand broader than just assurance engagements, includes also effective governance and control – roles of the different ‘lines of defense’ and oversight of those charged with governance, within the entity
- The flexibility in ‘external assurance’ as reporting frameworks evolve:
 - Flexibility in the nature of ‘external assurance’ to enable it to be delivered appropriately wherever companies are along their path of development

Focus Draft Discussion Paper

- Focus on emerging forms of external reporting (EER), including integrated reporting and sustainability reporting
- Focus on credibility and trust and factors that play a role
- Professional services that enhance credibility and trust with open eye for innovation that may be needed in this evolving area
- What is covered by IAASB International Standards and what not yet?
- Challenges of EER to assurance engagements, in particular challenges caused by new features of reporting frameworks and the need for flexibility in assurance engagements given the variation in demand

Credibility and Trust as a Process (para. 33-34)



- Four factors contributing:
 - Sound reporting framework
 - Strong governance
 - Consistent wider information
 - 'External assurance'

Sound Reporting Framework (para. 35-45)

Reporting Framework	Objectives		Scope Elements	Depiction methods	Judgment principles	Communication principles
X	Scope				-	-
	User					
	Use					

Strong Governance (para. 46-47)

- Strong internal control process
 - Interaction within external reporting supply chain
 - Broader stakeholder dialogue
 - Internal Audit
 - Oversight by those charged with governance
 - if applicable, separate committees
- Transparency in the external report

Consistent Wider Information (para. 48-50)

- By the entity in preparing the external report
 - By users of external reports in obtaining information about the entity and its environment
 - for example press releases, surveys, benchmarking studies, rating agencies or regulators. Inconsistencies between the different types of information available may impact the credibility of external reports.
- Perceived objectivity of the other information, the credibility of the origin of the information and the medium used

“External assurance” – Professional services (para. 51-64)

- Professional services currently covered by the International Standards
- External report as part of annual report – ISA 720
- New emerging professional services aimed at credibility and trust

Question Relevant for Further Drafting the DP

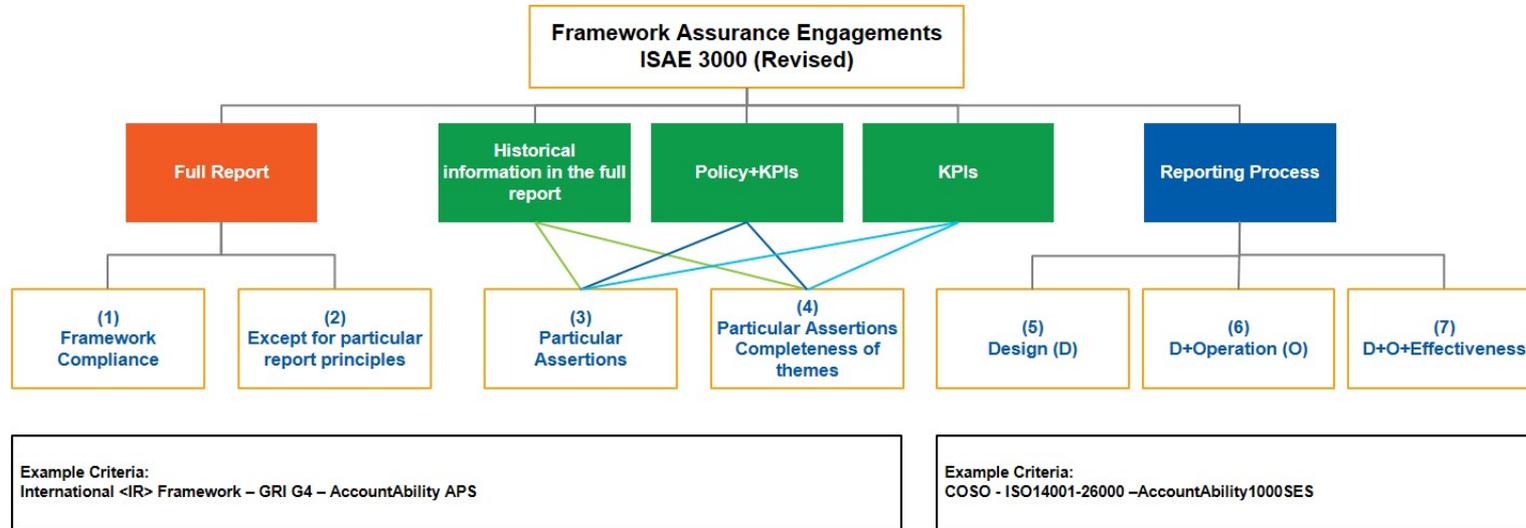
1. *The broader context of credibility and trust.* Is discussing professional services in the broader context of factors that influence credibility and trust helpful? Would there be any other factors that need to be considered? (Section III)
2. *Professional services:* What type of professional services 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)

Assurance Issues (para. 66-70, details 71-106)

- Flexibility in the nature and scope of the assurance engagement;
- EER reporting frameworks:
 - Suitability of criteria
 - Building assertions in planning and performing the assurance engagement
 - Materiality
- Narrative information and future oriented information
- Competence of practitioners performing the engagement
- Assurance report

Flexibility in Assurance Engagements (appendix B)

Color code: the full report (orange), particular elements from the report (green) or the reporting process (blue)



Questions Relevant for Further Drafting the DP

3. *Assurance issues*: The overview provides an insight into the challenges in assurance engagements that emerge 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)

Questions Relevant for Further Drafting the DP

4. Is the draft Discussion Paper sufficiently clear to understand the issues?
5. Is the flow of the draft Discussion Paper appropriate?
6. Are the questions appropriate to solicit feedback from a broad range of stakeholders?

Proposed Way Forward

- 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 with:
 - The Global Public Policy Committee, Forum of Firms, Professional Accountants in Business, Small and Medium Sized Practices Committee;
 - Organizations that develop EER frameworks.
- Explore views of national auditing standard setters (NSS) during the IAASB-NSS meeting;
- Schedule a next version of the IRWG discussion paper for the June IAASB meeting.

Key Questions Relevant for Further Drafting the DP

7. The Board is also asked to share:

- Initiatives or activities of others that should be highlighted in the Discussion Paper
- Suggestions on any specific considerations related to SMEs/SMPs or the public sector that may be relevant to highlight



www.iaasb.org
