Australian Business Reporting Leaders Forum

2 May 2014

Mr James Gunn
Technical Director
International Auditing and Assurance Standards Board
529 Fifth Avenue, 6th Floor
New York, NY 10017 USA

Dear James

SUBMISSION TO IAASB PROPOSED STRATEGY 2015-19 AND PROPOSED WORK PLAN 2014-2015: IAASB INTEGRATED REPORTING ASSURANCE FRAMEWORK NEEDED

I am writing to you as Chairman of the Australian Business Reporting Leaders Forum (BRLF).

The BRLF has existed since 2010. It is a forum where various members of the Australian corporate reporting supply chain come together and consider trends and issues in relation to corporate reporting, and explore solutions which are suited to Australian capital markets. It is focused on making corporate reporting more conducive to investment, and promoting ideas on how to dismantle the current volume, complexity and red tape in corporate reporting in Australia, which has built up over time through a myriad of requirements from a number of government agencies.

The forum's purpose was advanced in 2013-14 with the release of the International Integrated Reporting (<IR>) Framework in December 2013, Australia's Presidency of the G20 and B20 in 2014, with their focus on growth and jobs, investment and infrastructure, and financial stability, and development of an issues paper in relation to integrated reporting assurance. An important momentum shift has occurred.

The BRLF believes that corporate reporting reform has a critical role to play in supporting all of these important change agenda items. It will drive better reporting for all users and less work for preparers, therefore increasing transparency whilst reducing cost. In addition most of us believe that <IR> is potentially a valuable framework to effect corporate reporting reform as it now has global recognition and increasing levels of acceptance.

The BRLF held a workshop on integrated reporting assurance in September 2012 so that it could share Australian views on this matter with the IIRC as it was considering an assurance white paper.

There is now general agreement within the BRLF that for integrated reporting to realise its full potential, some form of assurance on integrated reports will be required. Accordingly a companion assurance framework for the integrated reporting framework is critical.

Timely Emergence of an Integrated Reporting Assurance Framework

We are aware of a background paper, 'The Assurance Debate – Background Paper' being considered by the Assurance Technical Collaboration Group of the International Integrated Reporting Council. It provides a sound explanation of the compelling case for integrated reporting assurance, the needs of key assurance stakeholders (particularly integrated report preparers and users), and the issues that need to be resolved in order for an assurance framework to be finalised.

The Australian Position

The Australian Corporations Act requires the financial statements for most companies to be audited, and legally-mandated auditing standards regulate those audits.

Under ASX Corporate Governance Principles, it is for those charged with governance (boards of directors in relation to listed public companies) who are responsible for the integrity of 'corporate reporting' in Australia.

This responsibility extends beyond financial reporting to management commentary and various forms of regulated and voluntary reporting outside of financial reports. This includes integrated reports in Australia.

Accordingly, components of the annual and reports other than the financial report are not required to have independent audits, but fall within the ambit of corporate reporting, and so those charged with governance, directors in relation to listed public companies, must decide what assurance to obtain. Australian directors therefore have a strong interest in determining the level of assurance required on the information provided.

Australian Boards are already making decisions about assurance of corporate reporting.

We believe that an assurance framework for integrated reporting should be a high current priority of the IAASB. Guidance is urgently needed to assist Directors assess the level of assurance to be obtained over corporate reports (including management commentary and Integrated Reports) that markets will trust.

We have recommended to the Australian Government that it needs to endorse rapid local and international action on developing the governance and assurance framework for integrated reporting. This may include the IAASB developing a separate Integrated Reporting Auditing Standard, drawing on existing standards and addressing unique aspects of auditing an integrated report.

Such integrated reporting assurance can only enhance director confidence in the reliability of the corporate reports they are responsible for overseeing in the light of their personal liability for corporate reporting in Australia, and enhance investor trust in using integrated reports that they receive for critical capital allocation decisions.

Recommendation

We recommend that the IAASB implements rapid development of the integrated reporting assurance framework based upon the background paper currently out for comment. Further guidance and tools will be required to support the assurance practitioner's assessment of material disclosures, and where appropriate the level of assurance required to provide confidence to investors and other users over disclosures in the broad portfolio of corporate reports.

We also recommend that the IIRC and IIASB should hold assurance workshops in the next 6-12 months. We intend to hold integrated reporting assurance workshops in Australia in any event in the next 6-12 months, which the BRLF will host. We would be delighted to host these as part of an international series of workshops conducted by the IAASB and IIRC.

Please contact me on john.v.stanhope@gmail.com if you need anything further.

Yours sincerely

John Stanhope
Chairman, Australian Business Reporting Leaders Forum

cc Ms Merran Kelsall, Chairman, Australian Auditing & Assurance Standards Board