

ASSURANCE ON <IR>

AN EXPLORATION OF ISSUES

ASSURANCE ON <IR>: an exploration of issues

The International Integrated Reporting Council (IIRC) established an Assurance Technical Collaboration Group to prepare this paper. The TCG was coordinated by the lead organization with input from participants from a range of disciplines and countries. This paper reflects the collective views of TCG participants, not necessarily those of their organizations or the IIRC.

The IIRC considered interim findings from the TCG when preparing the International <IR> Framework released in December 2013. This paper provides background information on the assurance debate to start the assurance evolution by assisting assurance standard setters in addressing the needs for developing relevant assurance methodologies or standards for <IR>.

The IIRC gratefully acknowledges the contributions made by the following in the drafting of this paper:

LEAD ORGANIZATION

The Independent Regulatory Board for Auditors (South Africa) — Committee for Auditing Standards — Sustainability Standing Committee

PROJECT TEAM

Beth A. Schneider, Deloitte & Touche LLP
Neil Morris, KPMG

STEERING GROUP

Anne Adrain, Institute of Chartered Accountants of Scotland
Wolf Böhm, Institut der Wirtschaftsprüfer in Deutschland
Paul Davies, Banarra
Hiram Hasty, American Institute of Certified Public Accountants
Merran Kelsall, observer on behalf of the International Auditing and Assurance Standards Board
Jeanne Ng, CLP Holdings Limited
Jonathan Nus, Standard & Poors
Susana Peñarrubia, DWS Investment GmbH
Matthias Schmidt, Institut der Wirtschaftsprüfer in Deutschland
Roger Simnett, The University of New South Wales
David Simpson, InterPraxis Advisory & Assurance
Liz Stamford, Institute of Chartered Accountants in Australia
Philip Wallage, Nederlandse Beroepsorganisatie van Accountants
Ruth Ward, Institute of Chartered Accountants in England and Wales
David Wood, Institute of Chartered Accountants of Scotland

The Independent Regulatory Board for Auditors (South Africa), Committee for Auditing Standards — Sustainability Standing Committee: Neil Morris (chair), Pieter Conradie, Mthunzi Dwanya, Michiel Engelbrecht, Claire Hoy, Leon, Kies, Natalie Klonaridis, Yvette Lange, Tini Laubscher, Vincent Paino, Thinus Peyper, Leigh Roberts, Zainab Salloo, Jaco Sttenkamp, Graham Terry, Jyoti Vallabh, Fikile Zwane and representatives from the **IRBA Secretariat:** Sandy van Esch (Director: Standards), Nicki Simons and Derek Spavins

The IIRC does not accept responsibility for loss caused to any person who acts, or refrains from acting, in reliance on the material in this publication, whether such loss is caused by negligence or otherwise.

Copyright © July 2014 by the International Integrated Reporting Council ('the IIRC'). All rights reserved. Permission is granted to make copies of this work, provided that such copies are for personal or educational use and are not sold or disseminated and provided that each copy bears the following credit line: "Copyright © July 2014 by the International Integrated Reporting Council ('the IIRC'). All rights reserved. Used with permission of the IIRC. Contact the IIRC (info@theiirc.org) for permission to reproduce, store, transmit or make other uses of this document." Otherwise, prior written permission from the IIRC is required to reproduce, store, transmit or make other uses of this document, except as permitted by law. Contact: info@theiirc.org

Help shape the future of assurance on <IR>

About the IIRC

The International Integrated Reporting Council (IIRC) is a global coalition of regulators, investors, companies, standard setters, the accounting profession and NGOs. Together, this coalition shares the view that communication about value creation should be the next step in the evolution of corporate reporting.

Purpose

This paper is being released together with a shorter paper 'Assurance on <IR>: an introduction to the discussion' that provides an overview of assurance on Integrated Reporting (<IR>) to help all stakeholders understand the role of assurance and to initiate a global discussion on the benefits and challenges it presents.

The IIRC believes these papers will provide a catalyst for those with an interest in assurance to initiate and get involved in forums around the world during the second half of 2014. Feedback is invited to the questions posed in the accompanying paper 'Assurance on <IR>: an introduction to the discussion'.

A summary of the feedback received will be published by the IIRC in early 2015. The IIRC will consider any next steps, such as advocating action by assurance setters or others, based on that feedback.

Audience

The IIRC encourages not only accounting firms and other assurance practitioners to join in this discussion, but all those with an interest in building the credibility of, and trust in, corporate reporting. This includes preparers of integrated reports, providers of financial capital and other users of integrated reports, policy makers, regulators, standard setters and academics.

Being heard

To find out more and to become involved:

- Visit www.theiirc.org/assurance
- Initiate or attend a roundtable or other event
- Join the debate on the <IR> LinkedIn group
- Submit a response to assurance@theiirc.org by 1 December 2014 (all responses received will be made available on the IIRC website).

CONTENTS

6	1. Executive summary
10	2. Introduction
10	2A Focus of this paper
11	2B Importance of assurance with respect to <IR>
12	2C Terminology
13	3. Fundamental assurance concepts
13	3A Definition of assurance engagement
14	3B Need for suitable criteria
14	3C Existence of appropriate underlying subject matter
14	3D Levels of assurance
16	3E Competence of assurance practitioners
17	4. Analysis of the International <IR> Framework
17	4A Overall comments on the International <IR> Framework
19	4B Evaluation of the Guiding Principles
23	4C Evaluation of the Content Elements
25	4D Suitable criteria for <IR>
28	5. Development of assurance standards for <IR>
28	5A Survey of existing practices
29	5B Appropriate underlying subject matter for <IR> assurance
31	5C Potential levels of assurance for <IR>
32	5D Other approaches considered
35	6. Assurance methodology issues
35	6A Materiality
35	6B Reporting boundary
36	6C Internal control considerations
36	6D Connectivity matters
36	6E Assessing completeness
36	6F Assessing narrative reporting, including future-oriented statements
37	6G Using the work of others
38	6H Form of assurance report
38	6I Conclusion
40	Glossary
41	References
42	Appendices
42	Appendix 1—Existing assurance/related services standards and their potential application to <IR>
49	Appendix 2—Analysis of types of information included in an integrated report

Assurance on <IR>: an exploration of issues

1. Executive summary

- 1.1 The majority of the respondents to the International Integrated Reporting Council (IIRC)'s *Consultation Draft of the International <IR> Framework* (the Consultation Draft) viewed independent, external assurance as a fundamental mechanism for ensuring reliability and enhancing credibility. Some respondents expressed concerns over the ability for an assurance engagement to be performed and pointed to the need for specific assurance standards to be developed to address issues relevant to an integrated report. With the release of the International <IR> Framework (the Framework) in December 2013 and increased applications of <IR>, the importance of assurance in this area grows.

Purpose of the paper

- 1.2 The purpose of this paper is to explore issues related to the potential application of assurance to an integrated report prepared in accordance with the Framework, or to the process of preparing an integrated report. The paper explores potential approaches from the perspectives of three groups of stakeholders within the reporting environment (i.e., users of integrated reports, preparers and assurance practitioners). Its primary focus, however, is on identifying issues from the assurance practitioners' perspective for the consideration of both assurance standard setters (e.g., the International Auditing and Assurance Standards Board (IAASB), jurisdictional-specific assurance standard setters, and other organizations) and assurance practitioners rather than to propose solutions as it is not within the remit of the IIRC to develop assurance standards or methodologies.
- 1.3 This paper has been prepared using the collective knowledge of a technical collaboration group (the Assurance Technical Collaboration Group) comprising regulatory and professional bodies for auditors, assurance practitioners, academics, preparers and providers of financial capital together with participation of IIRC staff.
- 1.4 While this paper is intended primarily for assurance standard setters and assurance practitioners, preparers and users of integrated reports may find the discussions contained herein to be useful in understanding and participating in the assurance approaches debate as assurance methodologies will need to evolve to address the assurance needs of preparers and users.

Critical issues

- 1.5 The discussions in this paper explore critical issues relating to assurance with respect to <IR>, such as:
- The suitability of criteria
 - Auditing or assurance standards that might be applicable or considered to be useful in developing assurance methodologies related to <IR> and related implications
 - Whether assurance should be obtained in relation to the process of preparing the integrated report or the integrated report itself
 - Potential levels of assurance, including the same level of assurance, varying levels of assurance and carve-out of areas on which other assurance practitioners reported
 - Considerations when performing an assurance engagement, including those regarding narrative information, future-oriented information, connectivity, and using the work of others.

Suitability of criteria

- 1.6 The Assurance Technical Collaboration Group previously provided the IIRC with feedback about

the suitability of the Consultation Draft as criteria in connection with its public comment period, which was duly considered by the IIRC in developing the Framework. Chapter 4 of this paper discusses the identification and analysis of issues regarding the suitability of the Framework that was released in December 2013, as criteria for general reporting and assurance.

- 1.7 The Framework provides a principles-based approach to preparing an integrated report in contrast to many established financial reporting frameworks that establish both measurement and more prescriptive reporting standards. As a result, the actual disclosures within integrated reports will likely vary significantly from organization to organization, as each organization will report only that information which is relevant to itself within the Guiding Principles and Content Elements of the Framework. Such a level of flexibility requires an increased level of judgement by both the preparer in assessing what is to be included in the integrated report, and the assurance practitioner in assessing the reliability of the integrated report.
- 1.8 Many in the Assurance Technical Collaboration Group believe that the Framework constitutes suitable criteria given the due process that it underwent and the revisions that were duly made to address previous concerns regarding suitability of the Consultation Draft. These include the new *Basis of preparation and presentation* Content Element, which requires identification of measurement policies used by the reporting organization in the integrated report. They believe that the Framework satisfies the characteristics of suitable criteria for general reporting and, accordingly, for assurance engagements to be performed.
- 1.9 Others believe that, in conducting analysis at the Framework level, the criteria contained therein may be suitable when combined with the required disclosures of measurement frameworks or methods used by the preparer (referred to herein as measurement policies).
- 1.10 Some members of the Assurance Technical Collaboration Group expressed concern that a high level of judgement coupled with a lack of established leading practices, particularly in the short term, may call into question the suitability of the Framework as criteria. This concern, however, might wane as more integrated reports are prepared with disclosures of the organizations' measurement policies and trends, and leading practices become more apparent.
- 1.11 Many see the development of assurance with respect to <IR> as a journey, and as one where refinements in the Framework and emerging reporting practices further enhance the suitability of the criteria. They believe that the potential degree of variability between reports from one preparer to another at the current time should not stand as a barrier to an assurance engagement.

Information subject to assurance

- 1.12 Some of the information in an integrated report may be extracted information that has been subject to assurance of some form. If assurance engagements are completed on other reports prepared by the organization prior to the preparation of the integrated report, it could allow the <IR> assurance practitioner to place some reliance on the information extracted from such other report(s), taking into consideration various aspects regarding materiality, levels of assurance of the various engagements, and the context of the extracted information.
- 1.13 While some users of the integrated report might be more interested in obtaining assurance on certain pieces of information rather than the integrated report as a whole, some assurance practitioners are concerned that an assurance approach on a specified data set would be contrary to the holistic approach inherent in the Framework. Concern has also been expressed that separating assurance into components such as financial, sustainability and operational matters with different assurance practitioners for each risk undermining the concepts of <IR> and, in particular, the aspects of connectivity.

Types of information

- 1.14 For purposes of identifying assurance-related issues, an analysis of the types of information that might be included in an integrated report was performed by analysing the disclosure topics for each Content Element, the potential disclosures that might be made for such topics and then

classifying the type of disclosure as quantified measurements, factual narrative, soft narrative, quantified estimates, qualitative estimates, and diagrams.

- 1.15 Preparers of integrated reports will need to challenge themselves as to the appropriateness of disclosures that fall in the classification of soft narrative. To include disclosures of the nature of views and judgements in an integrated report, the matters should be consistent with what is reflected in various reports, communications and the organization's operating practices; if they are not, it is likely that there isn't a sufficient basis for the organization to make the disclosures. The tone of the disclosures is also important. Assurance methodologies will need to be designed to address whether a sufficient basis exists for such disclosures and whether such disclosures or the tone could potentially mislead intended users.

Development of assurance methodologies

- 1.16 Chapter 5 includes a survey of existing assurance practices, in particular existing assurance/related services standards, which are listed in Appendix 1 together with their potential applications in an <IR> context. The standard that stands out in the minds of many assurance practitioners as one that would be most fundamental to an assurance engagement, regardless of whether performed by an accounting firm or other types of assurance practitioners, is International Standard on Assurance Engagements (ISAE) 3000, *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* (revised) (ISAE 3000). ISAE 3000, which was also issued in December 2013, provides for practitioners other than accountants to perform assurance engagements provided that certain quality control requirements are met. *International Standards on Auditing* could also be used for historical financial information included in an integrated report.
- 1.17 Assurance standard development might take different forms, including development of:
- New assurance or auditing standards on specific types of information (e.g., narrative reporting, future-oriented information) that might be used in various types of subject matter information (e.g., management commentary, integrated reports, sustainability reports)
 - Application guidance founded on the fundamentals of existing assurance standards
 - General assurance principles that are specific to an integrated report, coupled with direction for applying existing assurance standards such as those produced by the IAASB
 - A new <IR> assurance standard(s) that covers the assurance of an integrated report (or process of preparing an integrated report) in a comprehensive manner.

Possible approaches to assurance engagements

- 1.18 Assurance engagements in connection with <IR> could take various forms, including engagements pertaining to an assertion about the process to prepare the integrated report, the integrated report or part(s) thereof, or both the integrated report and an assertion on the process. Chapter 5 explores in Table 2 the pros and cons of potential levels of assurance for <IR>, including reasonable assurance, limited assurance and a hybrid or mixed levels of assurance.
- 1.19 While the Framework provides some guidance on process matters, such as the materiality determination process, its primary focus is on report content. Accordingly, to provide an assurance conclusion on the integrated report process, suitable criteria for evaluating the process would need to be developed or adapted from other governance, risk management and internal control frameworks.
- 1.20 Other approaches were also explored, including the potential for some form of application of the concepts in International Standard on Auditing (ISA) 720, *The Auditor's Responsibilities Relating to Other Information in Documents Containing Audited Financial Statements*, creation of a rating system, and consideration of a form of "balanced and reasonable opinion" based on a discussion paper on the provision of positive assurance on management commentary published by the Institute of Chartered Accountants of Scotland. Various concerns were expressed that each of these other approaches are not viable as discussed in Section 5D.

Issues to be addressed

- 1.21 Chapter 6 captures specific areas relating to <IR> identified in earlier chapters as difficult to address under existing assurance frameworks that would be helpful for assurance standard setters to address in the development of any assurance standards or guidance with respect to <IR>, including: materiality; reporting boundary; internal control considerations; connectivity matters; assessing completeness; assessing narrative reporting (including matters related to future-oriented information and risk reporting); using the work of others; and the form of the assurance report.

Need for assurance evolution

- 1.22 Just as the form of an integrated report is expected to evolve over time, assurance methodologies will need to evolve to address the assurance needs of preparers and users, and the related issues arising in addressing those needs. Market demand will play a role in the assurance solution; however, assurance practitioners also need to voice their perspectives to ultimately arrive at an adequate solution.
- 1.23 In the journey towards assurance on an integrated report, due consideration needs to be given to what <IR> and an integrated report are intended to achieve and the holistic approach underlying them. Ultimately, an integrated approach to assurance may be necessary; in which case, the market might be best served by a single engagement team performing the assurance engagement, rather than a patchwork of different assurance engagements by various assurance practitioners. However, in the short term, some initial steps to address particular areas of concern would be helpful. While leading practices evolve as reporters gain more experience with using the Framework, so too will assurance methodologies for <IR>. Accordingly, practical application guidance for assurance practitioners based on existing standards might be a good first step in the journey towards developing assurance methodologies for assurance engagements pertaining to an integrated report.

2. Introduction

- 2.1 In December 2013, the International Integrated Reporting Council (the IIRC) released the International <IR> Framework¹ (the Framework) and noted in the preface *About Integrated Reporting* that <IR> “aims to:
- 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.”
- 2.2 The Framework defines an **integrated report** 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 over the short, medium and long term.”
- 2.3 The Framework established Guiding Principles and Content Elements for the preparation of an integrated report. The Framework states that it “is written primarily in the context of private sector, for-profit companies of any size but it can also be applied, adapted as necessary, by public sector and not-for-profit organizations.”
- 2.4 The majority of the respondents to the IIRC’s *Consultation Draft of the International <IR> Framework*² (the Consultation Draft) viewed independent, external assurance as a fundamental mechanism for ensuring reliability or enhancing credibility. Some respondents expressed concerns over the ability for an assurance engagement to be performed and pointed to the need for specific assurance standards to be developed to address issues relevant to an integrated report.³

2A Focus of this paper

- 2.5 The purpose of this paper is to explore the potential application of assurance to an integrated report prepared in accordance with the Framework, or to the process of preparing an integrated report, and identify related assurance issues to assist assurance standard setters (e.g., the International Auditing and Assurance Standards Board (the IAASB), jurisdictional-specific assurance standard setters, and other organizations) in addressing the needs for developing relevant assurance methodologies or standards and for assurance practitioners to consider in performing assurance engagements in the intervening period. There are boundaries to this paper. Its primary focus is to open up the debate and identify potential issues rather than to propose solutions as it is not within the remit of the IIRC to develop assurance standards or methodologies. Accordingly, the objectives of this paper are:
- Primarily - to provide a starting point for assurance standard setters and assurance practitioners as they seek to develop appropriate assurance guidance or standards pertaining to an integrated report or integrated report process by mapping out the existing landscape and identifying issues to be addressed
 - Secondly - to help inform parties seeking assurance as to some of the fundamental concepts of an assurance engagement and potential forms of engagements.

¹ www.theiirc.org/international-ir-framework

² www.theiirc.org/consultationdraft2013/

³ See the following documents for further discussion of responses to the *Consultation Draft of the International <IR> Framework* dealing with reliability, credibility, and assurance:

- *Basis for Conclusions* (www.theiirc.org/international-ir-framework)
- *Summary of Significant Issues* (www.theiirc.org/international-ir-framework).

- 2.6 This paper has been prepared using the collective knowledge of a technical collaboration group (the Assurance Technical Collaboration Group) comprising representatives of regulatory and professional bodies for auditors, assurance practitioners, academics, preparers, and providers of financial capital, together with the participation of IIRC staff.
- 2.7 The discussions in this paper explore critical issues relating to assurance with respect to <IR> and in particular for an integrated report, such as:
- Identification and analysis of issues regarding suitability of criteria, such as those involving completeness and future-oriented information
 - Analysis of existing auditing or assurance standards that might be applicable or considered to be useful in developing assurance methodologies related to <IR> and related implications
 - Identification and analysis of issues regarding whether assurance should be obtained in relation to the process of preparing the integrated report or the integrated report itself
 - If assurance is to be obtained on the integrated report itself, identification and analysis of issues regarding potential levels of assurance, including the same level of assurance, varying levels of assurance and carve-out of areas on which other assurance practitioners reported
 - Identification and analysis of various topical issues relating to the performance of an assurance engagement, including narrative information, future-oriented information, connectivity, and using the work of others⁴.

2B Importance of assurance with respect to <IR>

- 2.8 Organizations around the world are producing integrated reports that contain information and disclosures that are based on the best understanding of <IR> at the time. As <IR> and the Framework evolve over time, it is to be expected that more organizations will produce integrated reports. With increased applications of <IR>, the importance of assurance in this area grows. The importance of assurance with respect to <IR> may be addressed from the perspectives of three groups of stakeholders within the reporting environment (i.e., users⁵, preparers and assurance practitioners):
- **Importance to users:** Users of integrated reports rely on management and those charged with governance to undertake business in a manner that meets their collective goals. They place reliance on reporting produced by an organization in assessing whether business is actually being conducted accordingly. Assurance enhances the credibility of reported information on which users place reliance. There has been significant research in the financial and sustainability reporting context that indicates that users' perceptions of the credibility of information contained in a report accompanied by an assurance conclusion is enhanced when compared to information for which assurance has not been obtained. The same principle would apply in an <IR> context. As providers of financial capital could benefit from assurance over information that provides improved clarity into an organization's results (both past, present and future), they may request that preparers obtain some form of assurance engagement relating to integrated reports. Accordingly, users may play a key role in market demand for assurance engagements.
 - **Importance to preparers:** Assurance on integrated reports is of importance to preparers of integrated reports (consisting of both management and those charged with governance). Assurance is of benefit to management in corroborating their assertions contained in the integrated report. Those charged with governance may not have in-depth oversight of

⁴ All references within this paper to 'using the work of others' relates to the <IR> assurance practitioner making use of the work performed or placing reliance on the work performed by another party or assurance practitioner for purposes of obtaining assurance with respect to <IR>. Other parties on whom reliance could be placed include: financial report auditors, other accountant and non-accountant assurance practitioners (e.g., sustainability assurance practitioners), internal auditors and experts within a certain field.

⁵ 'Users' refers to users of integrated reports. The Framework describes that the primary purpose of an integrated report in paragraph 1.7 is "to explain to providers of financial capital how an organization creates value over time" and acknowledges in paragraph 1.8 that an integrated report "benefits all stakeholders interested in an organization's ability to create value over time, including employees, customers, suppliers, business partners, local communities, legislators, regulators and policy-makers."

management and the specific data included by management in the integrated report, but they are ultimately responsible for ensuring the integrity of the integrated report. Accordingly, assurance by an independent third party can provide those charged with governance with comfort over the integrity of the reported information prepared by management. Those charged with governance might also be responsible for setting the level of assurance engagement to be performed.

- *Assurance practitioners' perspective:* Assurance on corporate reporting is well developed and entrenched in areas such as financial reporting and, to some extent, in sustainability reporting. However, <IR> differs from traditional corporate reporting and, although the principles of assurance need not change, the existing assurance practices need to be tailored for the <IR> context. Assurance practitioners will require guidance on how to perform an assurance engagement specific to an integrated report or the process of preparing an integrated report to meet the needs of these stakeholders. The development of formal guidance for assurance practitioners would also benefit preparers and users as consistency of assurance methodologies, or application of assurance principles by different practitioners, could increase the credibility of the assurance process.

2C Terminology

- 2.9 Those charged with governance may take assurance from a variety of internal activities (such as internal reviews and control processes, as well as internal audits and compliance checks) and from independent external assurance engagements. Similarly, there is a variety of definitions of “assurance” in the various dictionaries. However, the one that seems most appropriate in the context of this paper, which focuses on independent, external assurance aspects rather than internal activities, is a statement or assertion intended to inspire confidence. Accordingly, the term “assurance” as used in this paper refers broadly to an independent conclusion about the reliability and relevance of subject matter information (i.e., the outcome of evaluation of the underlying subject matter against specified criteria). Section 3A elaborates further on the definition of an assurance engagement and fundamental concepts. The Glossary includes some of the commonly used terms in this paper.

3. Fundamental assurance concepts

- 3.1 Before delving into a discussion of assurance and its issues in the <IR> context, it is necessary to discuss some general assurance concepts in order to frame the forthcoming discussions. These concepts are presented from the perspective of the IAASB's *International Framework for Assurance Engagements* (the "IAASB assurance framework"), as the IAASB is a recognized international assurance standard-setting body. Jurisdictional assurance standards containing essentially similar principles to the IAASB standards have not been specifically identified in the body of this paper; some that have differences from the IAASB standards have been included in the listing of existing assurance standards in Appendix 1.

3A Definition of assurance engagement

- 3.2 The IAASB assurance framework⁶ defines an assurance engagement as follows:

*An assurance engagement is 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 outcome of the measurement or evaluation of an underlying subject matter against criteria.***

The outcome of the measurement or evaluation of an underlying subject matter is the information that results from applying the criteria to the underlying subject matter.

- 3.3 <IR> is broader than existing reporting. While existing assurance standards contemplate a broad range of subject matters, none of the standards specifically address all the concepts behind, and content of, an integrated report (e.g., they do not explicitly recognize that historical financial information, non-financial information, and future-oriented information might be included in a single report). For example, the IAASB issued *International Standards on Auditing* and *International Standards on Review Engagements* to address assurance concepts with respect to audits and reviews of historical financial information, and *International Standards on Assurance Engagements* to address assurance concepts for engagements other than audits or reviews of historical financial information. While existing assurance principles for each of these might be used, specific application guidance pertaining to <IR> is absent.
- 3.4 Applying the above definition of an assurance engagement to <IR>, an assurance engagement on an integrated report might entail the expression of a **conclusion** on whether the integrated report **is prepared in accordance with the Framework** (and any organization measurement policies if needed for the criteria as a whole to be suitable). This implies that the Framework is used to provide criteria against which the underlying subject matter (how an organization's strategy, governance, performance and prospects, in the context of its external environment, lead to the creation of value over the short, medium and long term) can be evaluated. In order to ascertain whether this is the case, the definitions and applications of the underlying subject matter, criteria and subject matter information shown in Figure 1 are each discussed below.

⁶ Paragraphs 10-11 (emphasis added).

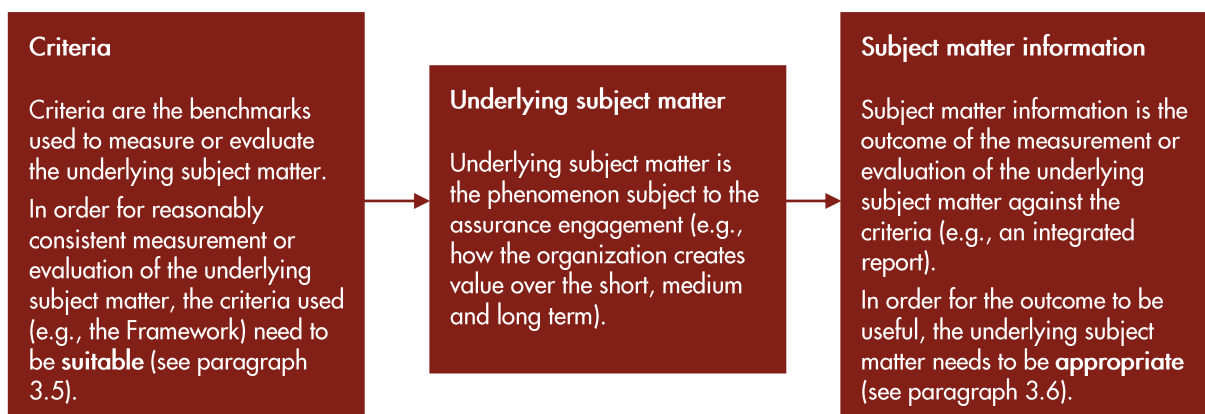


Figure 1: Components for assurance under the IAASB assurance framework

3B Need for suitable criteria

3.5 For an assurance engagement to be performed there needs to be suitable criteria. Suitable criteria exhibit the following characteristics⁷:

- (a) **Relevance** – Relevant criteria result in subject matter information that assists decision-making by the intended users
- (b) **Completeness** – Criteria are complete when subject matter information prepared in accordance with them does not omit relevant factors that could reasonably be expected to affect decisions of the intended users made on the basis of that subject matter information. Complete criteria include, where relevant, benchmarks for presentation and disclosure
- (c) **Reliability** – Reliable criteria allow reasonably consistent measurement or evaluation of the underlying subject matter including, where relevant, presentation and disclosure, when used in similar circumstances by different practitioners
- (d) **Neutrality** – Neutral criteria result in subject matter information that is free from bias as appropriate in the engagement circumstances
- (e) **Understandability** – Understandable criteria result in subject matter information that can be understood by the intended users.

3C Existence of appropriate underlying subject matter

3.6 An appropriate underlying subject matter is “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.”⁸

3.7 The suitability of the criteria and the appropriateness of the underlying subject matter (how the organization creates value) resulting from application of the Framework will be analysed in greater detail in Chapter 4. Consideration of the potential subject matter information (the integrated report and the process of preparing an integrated report) is discussed in Chapter 5.

3D Levels of assurance

3.8 Another fundamental assurance concept that needs to be discussed is the different levels of assurance available under existing assurance frameworks and standards, which are summarized in Table 1 in the general context of assurance under the IAASB assurance framework together with potential alternatives (i.e., hybrid or combined levels, and agreed-upon procedures engagements). The specific application of these levels of assurance engagements and alternatives, and the merits and limitations of each, with respect to <IR> and an integrated report are discussed in Chapter 5.

⁷ IAASB assurance framework, paragraph 44.

⁸ IAASB assurance framework, paragraph 41 (emphasis added).

Table 1 – Description of assurance engagements and other alternatives

<p>Reasonable assurance⁹</p>	<p>In a reasonable assurance engagement the practitioner reduces engagement risk to an acceptably low level in the circumstances of the engagement as the basis for the practitioner's conclusion.</p> <p>Reasonable assurance is less than absolute assurance.</p> <p>The practitioner's procedures involve identifying and assessing the risks of material misstatement in the subject matter information; designing and performing procedures to respond to the assessed risks and to obtain reasonable assurance to support the practitioner's conclusion; and evaluating the sufficiency and appropriateness of the evidence obtained in the context of the engagement.</p> <p>The practitioner's conclusion is expressed in a form that conveys the practitioner's opinion on the outcome of the measurement or evaluation of the underlying subject matter against criteria.</p>
<p>Limited assurance¹⁰</p>	<p>In a limited assurance engagement, the practitioner reduces engagement risk to a level that is acceptable in the circumstances of the engagement but where that risk is greater than for a reasonable assurance engagement as the basis for expressing a conclusion.</p> <p>The nature, timing and extent of procedures performed is limited compared with that necessary in a reasonable assurance engagement, but is planned to obtain a level of assurance that is, in the practitioner's judgement, meaningful.</p> <p>To be meaningful, the level of assurance obtained by the practitioner is likely to enhance the intended users' confidence about the subject matter information to a degree that is clearly more than inconsequential.</p> <p>The practitioner's conclusion is expressed in a form that conveys whether, based on the procedures performed and evidence obtained, a matter(s) has come to the practitioner's attention to cause the practitioner to believe that the subject matter information is materially misstated.</p>
<p>Hybrid or mix of different levels of assurance¹¹</p>	<p>This consists of a mix of assurance levels, which might vary on a disclosure by disclosure basis (i.e., reasonable assurance conclusion on some disclosures and limited assurance conclusion on others).</p>
<p>Agreed-upon procedures¹²</p>	<p>The objective is to perform procedures of an audit nature to which the practitioner, the organization and any appropriate third parties have agreed, and to report factual findings based on the procedures performed.</p> <p>As this form of engagement simply provides a report of the factual findings, no assurance is expressed. Instead, users of the report assess for themselves the reported procedures and findings and draw their own conclusions from the work conducted.</p> <p>Distribution of the report is restricted to those parties that have agreed to the procedures to be performed since others, unaware of the reasons for the procedures, may misinterpret the results.¹³</p>

⁹ IAASB assurance framework, paragraphs 14, 73 and 78.

¹⁰ IAASB assurance framework, paragraph 15.

¹¹ This approach is used by some assurance practitioners in connection with providing assurance on sustainability reports. It is also used in certain countries in connection with regulatory requirements regarding financial, internal control and compliance matters (e.g., Australia). It is an approach permitted in ISAE 3000 (paragraph A2) and is also set forth in AccountAbility AA1000 Assurance Standards.

¹² International Standards on Related Services (ISRS) 4400: *Engagements to Perform Agreed-Upon Procedures Regarding Financial Information* ("ISRS 4400") paragraphs 4-6.

¹³ In some jurisdictions (e.g., the USA), the restriction is on the use of the report rather than its distribution.

3E Competence of assurance practitioners

- 3.9 To perform an assurance engagement, the practitioner or team of practitioners need to possess both competence in assurance skills and adequate technical knowledge regarding the underlying subject matter and the criteria. This is also inherent in the application of professional judgement throughout the assurance engagement.
- 3.10 Professional judgement is defined in ISAE 3000 as “[t]he application of relevant training, knowledge and experience, within the context provided by assurance and ethical standards, in making informed decisions about the courses of action that are appropriate in the circumstances of the engagement.”¹⁴ ISAE 3000 requires that the engagement partner have competence in assurance skills and techniques developed through extensive training and practical application, and sufficient competence in the underlying subject matter and its measurement or evaluation to accept responsibility for the assurance conclusion.¹⁵
- 3.11 Preparers need to consider the competence of potential assurance practitioners in selecting an assurance practitioner; assurance practitioners need to assess their own competence and whether they possess the necessary skillsets in determining whether to accept an assurance engagement.

¹⁴ ISAE 3000 paragraph 12(t).

¹⁵ ISAE 3000 paragraph 31.

4. Analysis of the Framework

- 4.1 The Assurance Technical Collaboration Group previously provided the IIRC with feedback about the suitability of the Consultation Draft as criteria in connection with its public comment period, which was duly considered by the IIRC in developing the Framework. As a result of the concerns expressed in such feedback about whether the Consultation Draft constituted suitable criteria, paragraph 4.40 (which creates a requirement with respect to disclosing the basis of preparation and presentation of the integrated report), was included in the Framework, amongst other changes. Accordingly, this chapter discusses the identification and analysis of issues regarding the suitability of the Framework as criteria for general reporting and assurance. The purpose of this analysis is to focus the discussion of assurance issues:
- (a) Around whether the Framework constitutes suitable criteria for an assurance engagement; and
 - (b) To begin exploration of the issues that will need to be addressed for assurance engagements to be performed.
- 4.2 The Guiding Principles and Content Elements of the Framework are reproduced in this chapter; however, it is advisable for readers of this paper to have read and be familiar with the Framework in its entirety. While this chapter focuses on the implications of each Guiding Principle and Content Element, it is important to consider the collective result (which is discussed in Section 4D), as well as what is to be the subject matter information of the assurance engagement and the level of assurance. These aspects are discussed in Chapter 5.

4A Overall comments on the Framework

Source of information contained in the integrated report

- 4.3 The Framework defines <IR> and an integrated report as follows:

Integrated Reporting (<IR>): A process founded on integrated thinking that results in a periodic integrated report by an organization about value creation over time and related communications regarding aspects of value creation.

Integrated report: 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.

- 4.4 Paragraph 1.10 of the Framework states in part that "When information in an integrated report is similar to, or based on other information published by the organization, it is prepared on the same basis as, or is easily reconcilable with, that other information." Accordingly, some of the information in an integrated report may be extracted information that has been subject to assurance of some form. For example, much of the historical financial information included in the integrated report would most likely be sourced from the audited financial statements. Certain environmental, social and economic impacts might be sourced from the sustainability report if it is prepared prior to the integrated report, and the sustainability report might have an assurance report on some portion or the report as a whole. However, if information is included in an integrated report prior to its inclusion in the sustainability report, the assurance practitioner would need to consider performing procedures on such information rather than considering whether the work of others might be relied on. In either event, the assurance practitioner will need to determine that the work necessary for the assurance engagement with respect to the integrated report is sufficient and appropriate to support the assurance conclusion.
- 4.5 If assurance engagements are completed on other reports prepared by the organization prior to the preparation of the integrated report, it could allow the <IR> assurance practitioner to place some reliance on the information extracted from such other report(s), taking into consideration the following:
- The concepts of materiality (e.g., the materiality of the extracted information in relation to the

integrated report and the assurance practitioner's materiality for the assurance engagement; the materiality of the extracted information in relation to the report from which it was extracted and the other assurance practitioner's materiality)

- The level of assurance of the engagement performed by the other assurance practitioner on such other information
- The accuracy of the extraction and the context of the extracted information in relation to the subject matter (e.g., value creation) and the report from which it was extracted.

(See further discussion of this issue in Section 6G.)

4.6 While some users of the integrated report might be more interested in obtaining assurance on certain pieces of information rather than the integrated report as a whole, some assurance practitioners are concerned that an assurance approach on a specified data set would be contrary to the holistic approach inherent in the Framework. Concern has also been expressed that separating assurance into components such as financial, sustainability and operational matters with different assurance providers for each risk undermining the concepts of <IR> and, in particular, the aspects of connectivity.

4.7 The integrated report does not only contain extracted information, but also contains:

- Management aspirations (e.g., targets that are based on agreed measures that management has taken to increase the likelihood of reaching the target; strategic objectives and related strategies)
- Future-oriented information, which includes strategic objectives and strategies to achieve them (including those in place and those intended to be implemented); descriptions of future risks and opportunities, challenges and uncertainties that the organization is likely to encounter; estimates of effects of known matters scheduled to occur in the future (e.g., enacted regulations that will be effective in a future period); targets; and although not specifically required by the Framework, forecasts and projections¹⁶
- Information from other sources within or external to the organization.

These information sets are not always likely to be subject to assurance in other engagements and, as such, the <IR> assurance practitioner would need to perform procedures on such information to obtain sufficient appropriate evidence to support the practitioner's conclusion. The nature, timing and extent of procedures is dependent on the practitioner's understanding of the business and to what extent the practitioner is involved in other assurance engagements for the organization. Alternatively, certain information sets might be carved out from the assurance engagement, particularly in the near term as assurance is explored; however, similar to the discussion about assurance engagements on sets of information in paragraph 4.6, it is likely this would be contrary to the holistic approach of <IR>.

Level of professional judgement

4.8 The Framework provides a principles-based approach to preparing an integrated report in contrast to many established financial reporting frameworks that establish both measurement and more prescriptive reporting standards. As a result, the actual disclosures within integrated reports will likely vary significantly from organization to organization, as each organization will report only that information which is relevant to itself within the Guiding Principles and Content Elements of the Framework. Such level of flexibility requires an increased level of judgement by both the preparer in assessing what is to be included in the integrated report and by the assurance practitioner in assessing the integrated report's completeness. Some members of the Assurance

¹⁶ International Standard on Assurance Engagements (ISAE) 3400, *The Examination of Prospective Financial Information*, (ISAE 3400) defines forecasts and projections, in the context of financial information, as follows:

- A "forecast" means prospective financial information prepared on the basis of assumptions as to future events which management expects to take place and the actions management expects to take as of the date the information is prepared (best-estimate assumptions).
- A "projection" means prospective financial information prepared on the basis of: (a) Hypothetical assumptions about future events and management actions which are not necessarily expected to take place, such as when some entities are in a start-up phase or are considering a major change in the nature of operations; or (b) A mixture of best-estimate and hypothetical assumptions.

Technical Collaboration Group expressed concern that a high level of judgement coupled with a lack of established leading practices, particularly in the short term, may call into question the suitability of the Framework as criteria for an assurance engagement. Other practitioners believe that the Framework on its own or coupled with other measurement frameworks used by a report preparer may be suitable for an assurance engagement. This is discussed further in Section 4D.

Reporting on value, value creation and the organization's ability to create value

- 4.9 As corporate reporting has traditionally focused on financial reporting, the users' perceptions of value and valuation methodologies are largely based on financial indicators. As <IR> becomes more prevalent, the concepts of value creation and the valuation methodologies of users could change accordingly. A similar issue exists with the determination of which capitals are relevant to each organization. As the Framework follows a principles-based approach, it does not define how value and the capitals are to be reported except to define value creation and explain the concepts underlying <IR>. The Framework defines value creation as "the process that results in increases, decreases or transformations of the capitals caused by the organization's business activities and outputs" and relies on the use of other frameworks and preparer-defined metrics for the criteria for measurements.

4B Evaluation of the Guiding Principles

- 4.10 As stated in paragraph 3.1 of the Framework, the Guiding Principles "underpin the preparation and presentation of an integrated report, informing the content of the report and how information is presented." Accordingly, the Guiding Principles are to be applied throughout an integrated report and, accordingly, would need to be assessed by the assurance practitioner on an aggregated basis. However, each of the seven Guiding Principles is separately analysed in this section for purposes of considering the implications on an assurance engagement and such aggregate assessment, as well as for purposes of considering the suitability of the Framework as criteria (see Section 4D):
- **Strategic focus and future orientation** – An integrated report should provide insight into the organization's strategy, and how it relates to the organization's ability to create value in the short, medium and long term and to its use of and effects on the capitals. (See paragraphs 4.11-4.13)
 - **Connectivity of information** – An integrated report should show a holistic picture of the combination, interrelatedness and dependencies between the factors that affect the organization's ability to create value over time. (See paragraphs 4.14-4.17)
 - **Stakeholder relationships** – An integrated report should provide insight into the nature and quality of the organization's relationships with its key stakeholders, including how and to what extent the organization understands, takes into account and responds to their legitimate needs and interests. (See paragraph 4.18)
 - **Materiality** – An integrated report should disclose information about matters that substantively affect the organization's ability to create value over the short, medium and long term. (See paragraphs 4.19-4.20)
 - **Conciseness** – An integrated report should be concise. (See paragraphs 4.21-4.22)
 - **Reliability and completeness** – An integrated report should include all material matters, both positive and negative, in a balanced way and without material error. (See paragraphs 4.23-4.27)
 - **Consistency and comparability** – The information in an integrated report should be presented:
 - On a basis that is consistent over time
 - In a way that enables comparison with other organizations to the extent it is material to the organization's own ability to create value over time. (See paragraph 4.28).

Strategic focus and future orientation

- 4.11 The fact that strategy pervades an integrated report, and includes the organization's response to risks and opportunities, makes it necessary for the assurance practitioner to have an in-depth understanding of the organization and its environment. Assessing the relevance of disclosures will necessitate exercising professional judgement considering the preparer's materiality determination process (refer to paragraphs 4.19-4.20 below).
- 4.12 Disclosures about future-oriented information have always been a concern to preparers and assurance practitioners alike. Paragraph 4.50 of the Framework states that if there is uncertainty surrounding a matter, the organization considers providing "*disclosures about the uncertainty, such as:*
- *an explanation of the uncertainty*
 - *the range of possible outcomes, associated assumptions, and how the information could change if the assumptions do not occur as described*
 - *the volatility, certainty range or confidence interval associated with the information provided.*"
- 4.13 Disclosing the assumptions and risks about future-oriented information provides context to both report users and assurance practitioners. Assurance practitioners can consider the reasonableness of such assumptions and related disclosures rather than the achievability of the future-oriented information. (Also, refer to the discussion in paragraphs 4.34-4.36 regarding quantified and qualitative estimates.)

Connectivity of information

- 4.14 The Framework identifies the key forms of connectivity of information in an integrated report as those that include the connectivity between:
- The Content Elements
 - The past, present and future
 - The capitals
 - Financial information and other information
 - Quantitative and qualitative information
 - Management information, board information and information reported externally
 - Information in the integrated report, information in the organization's other communications, and information from other sources.
- 4.15 The application of the *Connectivity* Guiding Principle within the integrated report is a valuable one, and if properly executed, will give report users a holistic view of the organization and its ability to create value over time. Assurance practitioners may need guidance on the nature, timing and extent of procedures to be performed to determine whether sufficient connectivity is demonstrated in an integrated report. Guidance may also be needed on the evidence required to support assertions about the cause of certain connections, in particular the connection between an organization's business activities and outputs on the one hand, and the resultant outcomes on the other. Isolating the link between cause and effect can be difficult, particularly in complex environments where a range of variables are at play. For example, what evidence should an assurance practitioner be expected to obtain to support an assertion by a pharmaceutical company that increased sales of a particular drug have led to a reduced incidence of a disease when preventive interventions and other factors are also likely to have affected the incidence of that disease.
- 4.16 The Framework permits links from the integrated report to other information, stating in paragraph 1.16:
- An integrated report can provide an "entry point" to more detailed information outside the designated communication, to which it may be linked. The form of link will depend on*

the form of the integrated report (e.g., for a paper-based report, links may involve attaching other information as an appendix; for a web-based report, it may involve hyperlinking to that other information).

Such links can create a challenge from the assurance practitioner's perspective with regard to which information should be considered part of the integrated report. The scope of assurance may not include linked information, which users might rely on in conjunction with their evaluation of the integrated report. Accordingly, it is important that users, as well as preparers of integrated reports, understand which information is covered by the assurance conclusion and which information is not. It will be important for the assurance practitioner's report to clearly articulate this.

- 4.17 Links to other information are also subject to change (e.g., links can become disabled over time or replaced with different information). If such other information is to be covered by the assurance engagement, certain safeguards would likely need to be put in place to address that such information continues to remain accessible and is not inappropriately updated.

Stakeholder relationships

- 4.18 Paragraph 3.14 of the Framework states that “[an] integrated report enhances transparency and accountability, which are essential in building trust and resilience, by disclosing how key stakeholders’ legitimate needs and interests are understood, taken into account and responded to through decisions, actions and performance, as well as ongoing communication” while paragraphs 3.15-3.16 discuss the concepts of stewardship and potential stewardship responsibilities of an organization. Assessments of the adequacy of related disclosures will need to be based on qualitative considerations, including consideration of the reporting boundary reflected in Figure 3 of the Framework (see additional reporting boundary discussion herein in Section 6B) and will require the exercise of judgement by the assurance practitioner. The concept of materiality will also need to be applied in assessing the adequacy and completeness of the related disclosures. One question raised by assurance practitioners is whether they should be expected to observe, or even participate in, some form of stakeholder engagement. This is discussed in further detail in Chapter 6.

Materiality

- 4.19 The *Materiality* Guiding Principle requires that an integrated report “disclose information about matters that substantively affect the organization’s ability to create value over the short, medium and long term.” The key difference between materiality as it is articulated in the Framework and traditional financial reporting materiality is that <IR> materiality is focused on identifying the most relevant matters pertaining to the organization’s ability to create value, and for inclusion and reporting on these appropriately (as addressed in the Guiding Principle of *Reliability and completeness*), while traditional financial reporting materiality is focused on ensuring that the financial statements achieve a fair presentation of financial position, results of operations and cash flows. However, the underlying principles are similar in that they each focus on what is material to the respective subject matter information. A disclosure that may be material to the fair presentation of the financial statements may not be material to value creation. Likewise, a disclosure that may be material to value creation may not be considered material to the financial statements. A key assurance issue would be the matching of the two concepts of relevance and reliability to create a materiality for <IR> assurance purposes. This is discussed in further detail in Chapter 6.
- 4.20 The determination of material matters may be a matter of significant judgement and requires in-depth knowledge of the reporting organization. Management and those charged with governance are able to make these judgements based on their involvement in the organization. The assurance practitioner will need to obtain a sufficient understanding of the organization and its business model and value creation process, including use of and effects on the various capitals, to design and implement procedures in an assurance engagement. This understanding is broader than the understanding traditionally obtained by the financial statement auditor that is linked to financial

implications and, accordingly, might necessitate the financial statement auditor to expand his or her knowledge for an assurance engagement pertaining to an integrated report. Conversely, other assurance practitioners may need to expand their knowledge to financial implications.

Conciseness

- 4.21 An integrated report is required to be concise. No quantitative measures are provided in the Framework; however, paragraph 3.37 provides the following context for conciseness: “[a]n integrated report includes sufficient context to understand the organization’s strategy, governance, performance and prospects without being burdened with less relevant information.” Accordingly, an assurance practitioner would need to assess whether sufficient context has been included in the integrated report and whether only the most relevant information is included. The bulleted list in paragraph 3.38 of the Framework that provides guidance about achieving conciseness could also be useful to the assurance practitioner in exercising judgement over this qualitative assessment.
- 4.22 Paragraph 3.38 of the Framework also states that an integrated report may link to more detailed information. Similar to the discussion in paragraphs 4.16-4.17 above, this has the potential to cause a “boundary issue” if it is not sufficiently clear what constitutes the integrated report or what the assurance practitioner’s conclusion covers. (Refer to Section 6D for additional discussion regarding considering this aspect in developing assurance standards or methodologies.)

Reliability and completeness

- 4.23 The *Reliability and completeness* Guiding Principle focuses on the need for those charged with governance to ensure “that there is effective leadership and decision-making regarding the preparation and presentation of an integrated report” and notes the importance of “[m]aintaining an audit trail when preparing an integrated report” in paragraphs 3.41-3.42 of the Framework. Paragraph 3.40 of the Framework emphasizes that reliability is enhanced by “robust internal control and reporting systems.” Accordingly, preparers of an integrated report need evidence to support statements they make in the integrated report. Additionally, paragraph 1.20 of the Framework requires a statement from those charged with governance that includes, among other things, their opinion or conclusion about whether the integrated report is presented in accordance with the Framework, which includes disclosure of measurement policies.
- 4.24 This emphasis on preparer responsibilities may be helpful to assurance practitioners in assessing reliability as assurance practitioners may wish to place reliance on such processes and controls that the organization implements to reduce the risk of material misstatement in designing and performing their assurance procedures. Reliance on processes and controls is a common concept in the realm of financial auditing, but the application of these principles to <IR> may need to be clarified and included in an <IR> assurance standard or guidance when developed (see Chapter 6).
- 4.25 Assessing completeness is likely to be a significant concern to assurance practitioners. While the Framework states in paragraph 3.47 that “[a] complete integrated report includes all material information, both positive and negative”, assurance practitioners will likely be concerned with the completeness of an integrated report with respect to negative matters. Completeness can be negatively impacted as preparers strive to comply with the *Conciseness* Guiding Principle.
- 4.26 Paragraph 1.17 of the Framework permits the exclusion of material information if (i) an inability to disclose is caused by the unavailability of reliable information or specific legal prohibitions, or (ii) disclosure of material information would cause significant competitive harm. In both these situations, the assurance practitioner would need to assess the appropriateness of the reporter’s conclusions. In the former situation, paragraph 1.18 of the Framework requires other disclosures that need to be made; accordingly, the assurance practitioner would likely assess the appropriateness and completeness of such disclosures. In the latter case, paragraph 3.51 of the Framework provides guidance for the preparer to consider in determining “how to describe the essence of the matter without identifying specific information that might cause a significant loss of competitive advantage”. The assurance practitioner would likewise consider the reporter’s

approach in assessing completeness, including the existence of reliable information and the nature of omitted information in ascertaining the appropriateness of excluding material information.

- 4.27 Under paragraph 4.40 of the Framework, an integrated report is required to describe how the organization determines what matters to include and how such matters are quantified or evaluated, which is further discussed in paragraph 4.42 of the Framework as a summary of the materiality determination process. The disclosure of the processes around materiality, coupled with the description of the Content Elements in the Framework for integrated report preparers also is of benefit to assurance practitioners, as these might form the criteria for assuring the completeness of the material issues included in the integrated report. (Refer to Section 6E for additional discussion regarding considering this aspect in developing assurance standards or methodologies.)

Consistency and comparability

- 4.28 Paragraph 3.54 of the Framework requires that “information in an integrated report be presented (i) on a basis that is consistent over time and (ii) in a way that enables comparison with other organizations to the extent it is material to the organization’s own ability to create value over time.” The <IR> consistency concepts are similar to the concepts of consistency relating to financial statements; accordingly, financial statement auditors already will be familiar with considerations in this area. However, paragraph 3.55 of the Framework provides further clarification to enable considerations by preparers and various types of assurance practitioners in assessing consistency. Similarly, the guidance in paragraphs 3.56-3.57 of the Framework on comparability might be useful to assurance practitioners in assessing whether an integrated report has been prepared in accordance with the comparability aspect of this Guiding Principle.

4C Evaluation of the Content Elements

- 4.29 Chapter 4 of the Framework identifies the Content Elements that are required to be included in an integrated report, and poses a question that is to be answered for each Content Element rather than providing a listing of required disclosures. The non-bolded paragraphs of the Framework offer guidance for responding to the questions for each Content Element. The eight Content Elements are:

- Organizational overview and external environment
- Governance
- Business model
- Risks and opportunities
- Strategy and resource allocation
- Performance
- Outlook
- Basis of preparation and presentation

- 4.30 For purposes of identifying assurance-related issues, an analysis of the types of information that might be included in an integrated report was performed by analysing the disclosure topics for each Content Element, the potential disclosures that might be made for such topics and then classifying the type of disclosure as:

- Quantified measurements, including statistics, which may be internal (derived from an organization’s reporting system) or externally obtained
- Factual narrative—information that is supported by events that have occurred, which may be evidenced in a number of ways, including reporting systems and their resulting reports, or in information reported externally by other organizations
- Soft narrative—information internally generated; it may contain views or judgements of management and those charged with governance but the substance should be reflected in various reports, internal communications, and the organization’s internal or external websites, and in the organization’s operating practices

- Quantified estimates—estimated amounts or percentages, such as related to a future-oriented matter or the effect on a capital that is measurable
- Qualitative estimates—directional indications of an effect or anticipated outcome (e.g., increase/decrease, favourable/unfavourable)
- Diagrams—may be used as pictorial representations in conjunction with or instead of a narrative.

The detailed analysis appears in Appendix 2. The remainder of this section discusses the challenges that an assurance practitioner might need to address with respect to each type of disclosure in order to obtain assurance on an integrated report; it is not meant to create the methodologies needed for an assurance engagement. An important aspect of each type of disclosure is the context in which disclosures are placed. The tone of the disclosures is also important. Accordingly, an assurance practitioner will need to consider whether the context and tone set by the manner in which the various disclosures are made is appropriate so as not to cause the integrated report to be misleading to the intended users. Guidance on assessing the tone of narrative reporting might be helpful to assurance practitioners (see discussion in Section 6F regarding assessing narrative reporting).

Quantified measurements

- 4.31 Quantified measurements can range from simple to complex. An assurance practitioner will need appropriate skills and knowledge with respect to the type of measurements included in an integrated report in order to evaluate the appropriateness and accuracy of the information included and, in some cases, an expert might be needed to assist in this area (see discussion in Section 6G regarding using the work of others).

Factual and soft narratives

- 4.32 Given that factual narrative is defined in this paper as information that is supported by events that have occurred, the preparer of an integrated report should have evidence available that can be provided to the assurance practitioner. A significant challenge to assurance practitioners will likely come from assessing aspects of connectivity related to factual narrative. Financial statement auditors are already familiar with auditing certain “soft narrative” disclosures in the notes to financial statements, such as with respect to going concern issues. Assurance practitioners also apply these concepts in areas such as sustainability reporting and other types of assurance engagements. However, assessing narrative reporting is an area in which practitioners seek more guidance to facilitate consistency amongst engagements.
- 4.33 Preparers of integrated reports will need to challenge themselves as to the appropriateness of disclosures that fall in the classification of soft narrative. To include disclosures of the nature of views and judgements in an integrated report, the matters should be consistent with what is reflected in various reports, communications and in the organization’s operating practices; if they are not, it is likely that there isn’t a sufficient basis for the organization to make the disclosures. Assurance engagements will need to address whether a sufficient basis exists for such disclosures.

Quantified and qualitative estimates

- 4.34 Evaluating quantified estimates requires the exercise of professional judgement in evaluating the appropriateness and reasonableness of assumptions used in preparing the estimates. Quantified estimates might be included in an integrated report in the absence of readily available precise quantifications for historical information or in providing information relating to future-oriented matters. The latter concerns preparers and assurance practitioners alike regarding potential liability as quantified estimates might later be proven to be inaccurate if events do not occur as expected. Accordingly, an assurance conclusion that any such estimates will be achieved cannot be provided. Rather the assurance conclusion might consider whether assumptions underpinning estimates provide a reasonable basis for such disclosures.

- 4.35 An integrated report might describe an effect on the capitals in a qualitative estimate (e.g., as an increase or decrease in human capital). Preparers will need to have a sufficient basis for such an estimate for the assurance practitioner to assess.
- 4.36 The Framework does not specifically require forecasts or projections. Many respondents to the Consultation Draft expressed concern about the inclusion of forecasts or projections; accordingly, the Framework was clarified in this respect. However, any assurance methodologies developed specific to <IR> will need to consider the possibility of a preparer including a forecast or projection.

Diagrams

- 4.37 As integrated reports reflect the *Conciseness* Guiding Principle, it is likely that more diagrams will be included. Considerations by assurance practitioners might centre on whether a diagram is representative of the facts and whether the interpretations drawn by the intended users are likely to be consistent with the facts.

4D Suitable criteria for <IR>

- 4.38 As discussed in Chapter 3, there needs to be suitable criteria for any assurance engagement. This section discusses the application of the characteristics of suitable criteria as defined in Section 3B against the Framework.

Relevance

- 4.39 In considering relevance, one needs to consider both the definition of an integrated report and its primary purpose, which the Framework describes as follows:
- 1.1 *An integrated report is 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 over the short, medium and long term.*
 - 1.7 *The primary purpose of an integrated report is to explain to providers of financial capital how an organization creates value over time. It therefore contains relevant information, both financial and other.*
- 4.40 The Content Elements specified in the Framework are all directed towards the definition and its primary purpose; namely, to provide information about the organization's ability to create value over time that is believed to be relevant to capital allocation and other decisions (e.g., proxy voting and engagement decisions) by providers of financial capital. This would appear to satisfy the relevance characteristic, particularly given the responses to the Consultation Draft. Although some assurance practitioners believe that the satisfaction of the relevance characteristic can only be confirmed through practice when providers of financial capital legitimize the use of integrated reports in their assessments about the organization's ability to create value over time, confirmation of such usage is not required to satisfy the relevance characteristic. Furthermore, providers of financial capital provided significant input into the development of the Framework.

Completeness

- 4.41 The completeness characteristic of suitable criteria is the one that will likely be debated the most as to whether the Framework results in suitable criteria for an assurance engagement. The concern is whether the Framework includes sufficient requirements to prevent an integrated report that is faithfully prepared in accordance with the Framework from unintentionally omitting relevant factors that could reasonably be expected to affect the intended users' assessments about the organization's ability to create value over time. However, as discussed in paragraph 3.5, the description of the completeness characteristic of suitable criteria also encompasses "where relevant, benchmarks for presentation and disclosure." The eight Content Elements provide the requirements for disclosure, including the disclosure of measurement policies. The application of the Framework in practice and experience over time might alleviate some of these concerns.

- 4.42 The characteristic of completeness may be more easily assessed by answering the question: “What requirements should have been included in the Framework that were not?” While the Framework does not specify the form of presentation, it does provide benchmarks for disclosure in its descriptions of the materiality determination process, the Content Elements and the basis of preparation and presentation in paragraph 4.40 of the Framework. The *Reliability and completeness* Guiding Principle directs preparers to include all material matters. It further emphasizes completeness of an integrated report in paragraphs 3.47-3.48 of the Framework. While the application of judgement in assessing completeness of an integrated report may be high, the Framework appears to provide sufficient requirements for an integrated report to enable an assurance practitioner to make those judgements and, accordingly, the Framework coupled with the disclosed measurement policies appears to satisfy this characteristic of suitable criteria.

Reliability

- 4.43 The Framework does not establish criteria for measurement but does require that an integrated report include a summary identifying the significant frameworks and methods used to quantify or evaluate material matters. Accordingly, an assurance practitioner would need to assess the suitability of such other frameworks or methods for purposes of the disclosures in an integrated report.
- 4.44 While integrated reports may vary from organization to organization in style and the material matters disclosed, each are to answer the questions for each Content Element and apply the Guiding Principles in preparing the report. As discussed in Section 4B, the application of professional judgement will be necessary in assessing the sufficiency of evidence and whether certain Guiding Principles are achieved in an integrated report to result in a reasonably consistent measurement or evaluation by different practitioners; however, the need for professional judgement does not in itself prevent the Framework from satisfying the reliability characteristic of suitable criteria. It is expected that assurance practitioners should be able to consistently evaluate whether an integrated report addresses each of the Content Elements.

Neutrality

- 4.45 The Framework requires that both positive and negative matters be reported in an integrated report and, accordingly, an integrated report prepared in accordance with the Framework is to be free from bias. While preparers may be unsure regarding the extent of negative information to be reported, the *Materiality* and *Reliability and completeness* Guiding Principles, in particular, provide criteria for the preparer and an assurance practitioner to consider in assessing whether an integrated report is free from bias.

Understandability

- 4.46 While judgement is needed in the application of the Guiding Principles and in responding to the Content Element questions, it is expected that such activities will result in an integrated report that can be understood by users interested in assessing an organization’s ability to create value. Accordingly, this characteristic is met by the Framework.

The Framework as suitable criteria

- 4.47 In summary, many in the Assurance Technical Collaboration Group believe that the Framework constitutes suitable criteria given the due process that it underwent and the revisions that were duly made to address previous concerns regarding suitability of the Consultation Draft; these include the new *Basis of preparation and presentation* Content Element, which requires identification of measurement policies used by the reporting organization in the integrated report. They believe that the Framework satisfies the characteristics of suitable criteria—relevance, completeness, reliability, neutrality and understandability (as discussed in paragraphs 4.39-4.46)—for general reporting and, accordingly, for assurance engagements to be performed.
- 4.48 Others believe that, in conducting analysis at the Framework level, the criteria contained therein

may be suitable when combined with the required disclosures of measurement frameworks or methods used by the preparer (referred to herein as measurement policies). For example, a practitioner might be able to come to a conclusion on an engagement-by-engagement basis that the Framework coupled with specific measurement policies of the preparer may meet, or substantially meet, the characteristics of suitable criteria to enable an assurance engagement on an integrated report to be performed. Under this interpretation, when the measurement policies of the preparer are needed to make the criteria as a whole suitable, an assurance conclusion would need to refer to both the Framework and the measurement policies of the preparer as the applicable criteria.

- 4.49 As mentioned in paragraph 4.8, some members of the Assurance Technical Collaboration Group expressed concern that a high level of judgement coupled with a lack of established leading practices, particularly in the short term, may call into question the suitability of the Framework as criteria because the extent of judgement required when applying the principles may result in inconsistent application in similar circumstances by similar preparers. This concern, however, might wane as more integrated reports are prepared with disclosures of the organizations' measurement policies and as trends and leading practices become more apparent. Other concerns noted by some relate to the challenges with respect to evaluating certain types of information as described in Section 4C.
- 4.50 Some of the divergence in views may be a result of comparisons of an integrated report of a particular preparer against the characteristics of suitable criteria rather than a comparison of the Framework itself to those characteristics, in addition to the concerns over variability between reports from one preparer to another. However, lack of variability is not a characteristic required for a framework to constitute suitable criteria. Also, challenges on assessing the completeness of an integrated report does not mean that the Framework does not constitute suitable criteria.
- 4.51 Many see the development of assurance with respect to <IR> as a journey, and as one where refinements in the Framework and emerging reporting practices further enhance the suitability of the criteria. They believe that the potential degree of variability between reports from one preparer to another at the current time should not stand as a barrier to an assurance engagement. Just as financial reporting frameworks have evolved over time and are expected to continue to evolve; such anticipated changes do not undermine the suitability of such frameworks and, accordingly, the same should hold true for the Framework.

Criteria for the integrated report process

- 4.52 While the Framework provides some guidance on process matters, such as the materiality determination process, its primary focus is on report content. Accordingly, to provide an assurance conclusion on the integrated report process, suitable criteria for evaluating the process would need to be developed or adapted from other governance, risk management and internal control frameworks, such as those of the Committee of Sponsoring Organizations of the Treadway Commission or AccountAbility. An alternative approach might be for a report preparer to develop its own control objectives and report against those, similar to the reporting performed by service organizations.¹⁷

¹⁷ See for example, International Standard on Assurance Engagements (ISAE) 3402: *Assurance Reports on Controls at a Service Organization*, paragraphs 17-18 and A13-A15.

5. Development of assurance standards for <IR>

- 5.1 This Chapter discusses the potential application of existing assurance methodologies to an integrated report and highlights the need for specific methodologies or standards to be developed.
- 5.2 A survey was first performed of existing practices to identify relevant standards (see Section 5A). Considering the concepts in the IAASB assurance framework, an analysis of appropriate underlying subject matter and suitable criteria was performed (see Sections 5B and 4D, respectively). The potential levels of assurance with respect to <IR> or an integrated report were then analysed (see Section 5C).

5A Survey of existing practices

- 5.3 A study to identify the existing assurance standards being applied around the world was conducted by analysing the recently published reports of non-financial information for the world's twenty largest public companies¹⁸ and considering the results of earlier studies performed by others. Members of the Assurance Technical Collaboration Group also identified assurance projects underway. These activities found that although various standards address a variety of concepts inherent in an integrated report, no single standard currently exists that addresses all the key <IR> assurance challenges for an assurance engagement on an integrated report. However, the standards identified could be used as reference points in an <IR> assurance project, or as a source of principles for developing specific <IR> assurance standard(s). The standards analysed, and their potential applications in an <IR> context are included in Appendix 1.
- 5.4 The standard that stands out in the minds of many assurance practitioners as one that would be most fundamental to an assurance engagement regardless of whether performed by an accounting firm or another assurance practitioner is ISAE 3000. Since it was revised in December 2013, ISAE 3000 has provided for practitioners other than accountants to perform assurance engagements provided that:
- The engagement team members and engagement quality control reviewer are subject to professional requirements, or requirements in law or regulation, that are at least as demanding as Parts A and B of the *Code of Ethics for Professional Accountants* issued by the International Ethics Standards Board for Accountants (IESBA Code)
 - The practitioner is a member of a firm that is subject to 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 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*.

International Standards on Auditing could also be used for historical financial information included in an integrated report.

- 5.5 Assurance standards development might take different forms, including development of:
- New assurance or auditing standards on specific types of information (e.g., narrative reporting, future-oriented information) that might be used in various types of subject matter information (e.g., management commentary, integrated reports, sustainability reports)
 - Application guidance founded on the fundamentals of existing assurance standards
 - General assurance principles that are specific to an integrated report, coupled with direction for applying existing assurance standards such as those produced by the IAASB
 - A new <IR> assurance standard(s) that covers the assurance of an integrated report (or process of preparing an integrated report) in a comprehensive manner. Existing standards could be used to inform the principles included in the <IR> assurance standard. The structure of the IAASB assurance framework currently separates historical financial information and all

¹⁸ The purpose of this brief study was to identify any new developments in assurance standards or methodologies used since earlier studies performed by others.

other subject matters; a new standard could potentially pull the two together.

Each approach has pros and cons, but there are common principles across these approaches that need to be expanded due to a lack of existing guidance specific to some of the subject matter information. Before any approach can be taken, appropriate underlying subject matter and suitable criteria need to be identified (see discussion at Sections 5B and 4D, respectively). Then the applicable levels of assurance will need to be established (see discussion at Section 5C).

5B Appropriate underlying subject matter for <IR> assurance

5.6 Appropriate underlying subject matter for <IR> assurance might be:

- How an organization's strategy, governance, performance and prospects, in the context of its external environment, lead to the creation of value over the short, medium and long term
- The process to prepare the integrated report.

5.7 Assurance engagements in connection with <IR> could take various forms, including engagements pertaining to the following subject matter information resulting from the underlying subject matter listed in paragraph 5.6, which are discussed in this section:

- An assertion about the process to prepare the integrated report
- The integrated report or part(s) of the integrated report
- Both the integrated report and an assertion on the process.

Assurance engagement on the integrated report process versus content

5.8 There are two key processes involved in preparation of an integrated report that have a bearing on the assurance discussion, namely:

- **Reporting process** – This is the process of identifying and producing the content included in the integrated report, and includes activities such as the materiality determination process; identification of key risks, strategies and opportunities; development of key performance indicators; linkage of financial and non-financial data; and writing the actual integrated report
- **Underlying data processes** – These consist of the processes involved in ensuring that the data included in the integrated report are accurate. Many of these processes are implemented within an organization primarily for operating purposes and exist regardless of whether an integrated report is prepared. These processes consist of activities or controls (such as management review, data processing controls), and reporting systems used in synthesizing data.

These two key processes are referred to collectively herein as the **integrated report process**.

Assurance engagement on the integrated report process alone

5.9 The following factors indicate that assurance on the underlying integrated report process alone might not provide value:

- Users likely are more concerned whether the reported content is accurate or reasonable than whether the report process is effective
- The integrity of the data reported cannot always be inferred from the integrity of the processes
- Given the infancy of <IR>, the integrated report process, particularly the reporting process, likely is not sufficiently developed and formalized to result in an assurance conclusion that will be meaningful for users.

5.10 Whereas, some believe that assurance on the underlying integrated report process provides value for the following reasons:

- Providing an assurance conclusion on the integrated report process will enable the assurance

practitioner to identify weaknesses and provide recommendations to management and those charged with governance to improve their integrated report process, which could mitigate the risk of material errors and assist the organization in its <IR> journey

- If <IR> reaches a stage where organizations are using technology for producing “continuous integrated reports”, it may be too challenging to provide assurance conclusions on reported data each time new information is reported, and an assurance conclusion over the integrated report process may be more appropriate.

Assurance engagement on the integrated report content

- 5.11 Current engagements on <IR> indicate that users of integrated reports are seeking assurance that enhances the credibility of the content of an integrated report as it is the content, rather than underlying processes, that will inform users’ decision-making. However, some have expressed concern that providing an assurance conclusion on the report content alone gives rise to challenges around completeness (whether the report contains all the material content).
- 5.12 Under many existing assurance standards, there is a consideration of the process used to prepare the subject matter information (e.g., in a limited assurance engagement) or obtaining an understanding of internal control over the preparation of the subject matter information (e.g., in a reasonable assurance engagement) for purposes of planning the assurance engagement and designing appropriate procedures. As the Framework requires that the organization disclose a summary of the materiality determination process (see paragraphs 4.40-4.42 of the Framework), which is an important aspect of the process for determining what matters to include in an integrated report, additional considerations by the assurance practitioner will be necessary. This has two implications:
- The integrated report content includes process descriptions that the assurance practitioner would need to consider the appropriateness of in an assurance engagement (e.g., whether the organization actually performed the procedures described, whether the processes are in line with the Guiding Principles)
 - The application of a robust materiality process might mitigate some of the concerns around completeness of the integrated report as the assurance practitioner would evaluate the application of the <IR> materiality determination process to ascertain whether all material issues affecting value creation are reported.

Accordingly, consideration of the integrated report process will be necessary for purposes of an assurance engagement relating to the integrated report content. The extent of consideration of the integrated report process in a reasonable assurance engagement would be greater, however, than in a limited assurance engagement. Further, a control reliance strategy, which potentially could reduce the extent of substantive testing necessary, may be appropriate from a cost-effective perspective for a reasonable assurance engagement.

- 5.13 Alternatively, an assurance engagement might be sought only on portions of an integrated report or selected information rather than the report as a whole. While such an approach is feasible, it may be contrary to the aims of <IR> for the report to provide a holistic view and against the concepts of connectivity.

Assurance engagement on both the integrated report process and content

- 5.14 Some believe that if assurance is requested it should address both the integrated report process and the content of the integrated report similar to an “integrated audit” of the financial statements in the United States of America¹⁹. The scope of an assurance engagement on the integrated report process would be broader than the work performed on an integrated report’s content that includes a summary of the organization’s materiality determination process discussed in paragraph 5.12. Proponents for this approach argue that assurance on the content alone would not be sufficient as

¹⁹ A registrant that files periodic reports with the U.S. Securities and Exchange Commission is required, with certain exceptions, to obtain an audit of both its financial statements and its internal control over financial reporting, which is referred to as an integrated audit.

intended users might desire additional comfort over the processes to ensure the integrated report's accuracy and completeness, and that some intended users might not understand that an assurance engagement related to content would address the completeness of the integrated report. However, greater costs would be incurred under such an approach than an assurance report on either the integrated report or the process alone.

5C Potential levels of assurance for <IR>

Application of existing assurance frameworks

5.15 Chapter 3 highlighted the different levels or approaches of assurance that currently exist under the IAASB assurance framework and standards as well as a hybrid (or mix of assurance levels) that is currently used by some assurance practitioners for certain subject matters. Table 2 below analyses the potential applicability of these approaches in the context of <IR>.

Table 2 – Merits and limitations of various assurance approaches for <IR>

Approach	Merits	Limitations
Reasonable assurance on the entire report	<p>Reasonable assurance conveys the practitioner's opinion on the outcome of the measurement or evaluation of the underlying subject matter (e.g., entity's value creation ability) against the Framework.</p> <p>Users are likely to understand the implications and meaning of a reasonable assurance conclusion on an integrated report, as the level of assurance is equivalent to that of audited financial statements.</p>	Reasonable assurance requires a greater extent of testing than a limited assurance engagement and, therefore, would be a more costly endeavour; the costs may be viewed as exceeding the benefits or the willingness of preparers to pay.
Limited assurance on the entire report²⁰	<p>The extent of testing in a limited assurance engagement is less than a reasonable assurance engagement, which would reduce the overall cost of assurance on the integrated report and, accordingly, may be more cost effective than a reasonable assurance engagement.</p> <p>Can be seen as more transparent than a reasonable assurance report as the summary of the work performed is ordinarily more detailed than for a reasonable assurance engagement.</p>	<p>Heavily dependent on the judgement of the practitioner as to what level of procedures are needed to support obtaining meaningful assurance.</p> <p>Report users may not be as comfortable with the lower level of assurance.</p> <p>Users may inappropriately take more assurance from the summary of work description than warranted by the lower level of assurance.</p>

²⁰ Limited assurance engagements with respect to an integrated report would be conducted by accounting firms (and potentially other organizations) under ISAE 3000, as the use of the International Standards on Review Engagements (ISREs 2400 and 2410) is limited to the subject matter of historical financial information. The ISREs may be applied to the elements of historical financial information included in an integrated report that is 'extracted' from historical information prepared in accordance with that which has already been reviewed. This application would be more relevant in a hybrid approach. The ISREs do not apply to future-oriented information.

<p>Hybrid or mixed levels of assurance on the report²¹</p>	<p>Different levels of assurance may be more suitable for the different types of information in an integrated report (e.g., quantified measurements of past performance vs. future-oriented information). For example, a limited assurance conclusion might be expressed on the underlying assumptions and a reasonable assurance opinion expressed on the proper preparation of future-oriented information on the basis of those assumptions.²²</p> <p>Using a hybrid of levels of assurance could allow organizations to progress on a gradually increasing path to a single assurance conclusion.</p> <p>Might allow preparers to manage their costs by requesting a reasonable level of assurance on important information only.</p>	<p>Assurance reports issued under this approach are likely to be long and fairly complex to properly communicate those areas of the integrated report for which the assurance practitioner obtained reasonable versus limited assurance. This may result in an assurance report that is not understood by the users of integrated reports.</p> <p>Could be viewed as contrary to the concepts of <IR> as it might isolate certain information from other information and not consider connectivity.</p>
<p>Agreed-upon procedures</p>	<p>The 'users'²³ determine what procedures are to be performed, and are ultimately responsible for the appropriateness of the procedures performed for their purposes. Depending on the nature of the procedures requested, suitable criteria may not be necessary to perform the procedures. The assurance practitioner would merely perform procedures as instructed by the users, and report on the factual findings resulting from such procedures.</p>	<p>The report is restricted, which is not suitable for large populations of users of an integrated report.</p> <p>This approach does not constitute an assurance engagement as defined by the IAASB, as the practitioner's report would not provide a conclusion on either the content of the integrated report or the integrated report process.</p>

5D Other approaches considered

5.16 If an integrated report accompanies audited financial statements, International Standard on Auditing (ISA) 720, *The Auditor's Responsibilities Relating to Other Information in Documents Containing Audited Financial Statements* ("ISA 720")²⁴ is applicable. Under ISA 720, the financial statement auditor is to read the integrated report to identify material inconsistencies, if any, with the financial statements. Such inconsistencies could undermine the credibility of the financial statements and the auditor's report thereon. However, reading the integrated report for

²¹ A conclusion on a hybrid engagement of reasonable and limited assurance might be expressed in one of two ways: (1) A single assurance report setting out each element that is subject to the assurance engagement and the related level of assurance; or (2) Different assurance reports, possibly issued by different practitioners, that express assurance conclusions on specified information within the integrated report.

²² Such form of conclusion is prescribed for examinations of prospective financial information in ISAE 3400. However, some believe that ISAE 3400 needs updating to be in line with ISAE 3000. Paragraph A2 of ISAE 3000 does permit a mixture of reasonable and limited assurance conclusions in a single report.

²³ As described in Chapter 3, under IAASB and certain national standards, users of an agreed-upon procedures report are limited to those specific parties requesting the procedures and, accordingly, would not encompass the broader group of users of an integrated report.

²⁴ The IAASB released an exposure draft in April 2014 that proposes revising the concepts in ISA 720 to include, among other matters, considerations of whether there is a material inconsistency between the other information and the auditor's knowledge obtained during the course of the audit and remaining alert for other indications that the other information appears to be materially misstated.

this purpose rather than to determine whether it is properly stated would not be an assurance engagement and should not be taken to increase the credibility of the integrated report.

- 5.17 If only portions of an integrated report are to be subject to an assurance engagement, the concepts of ISA 720 to read the complete document to identify material inconsistencies, if any, with the information subject to assurance might be useful in developing some form of a hybrid approach. Guidance regarding how the concepts of ISA 720 might be adapted for situations involving an integrated report would be necessary; however, similar to the financial statement situation discussed above, the critical read of the integrated report would not be performed for the purpose of determining whether the integrated report as a whole is properly stated. While users might take some comfort from the assurance practitioner reading the integrated report and reporting any instance where management has not corrected an identified material inconsistency, it is not an assurance engagement and, accordingly, the benefits to users of the integrated report are quite limited.
- 5.18 Two other approaches with respect to <IR> also were considered: (i) use of a rating system; and (ii) an approach proposed by the Institute of Chartered Accountants of Scotland that results in a “balanced and reasonable” opinion described as a new level of assurance somewhere between reasonable and limited assurance. While these approaches are fairly innovative, they fall outside of existing assurance standards and, in considering the possibilities, were not viewed as very viable options. The analysis performed of each is summarized below.

Rating system

- 5.19 A rating system could potentially be developed to score the quality of an integrated report and the extent of assurance conclusions on parts of the integrated report; however, use of a rating system would not result in an assurance engagement. Further, it would be necessary to first develop the rating criteria and then the methodology for practitioners to follow to arrive at a rating. The benefits of a rating system would include:
- Comparability across reports from different organizations, as each organization would be rated according to the same scale, reducing the amount of interpretation on the part of the user
 - The removal of confusion around assurance levels. Users are not always aware of the differences between various assurance levels, and eliminating these for a simpler rating system might be more understandable
 - Organizations will be able to differentiate themselves by way of their rating.
- 5.20 Arguments against the use of a rating system include:
- Services that result in a rating would not constitute an assurance engagement and, accordingly, would not add credibility to the integrated report
 - It might not be reflective of the nature of an integrated report and whether it has been prepared in accordance with the Framework
 - It might inadvertently imply that there is less credibility and value to an integrated report
 - Developing a rating system is challenging, as developing criteria that are applied consistently by all practitioners would be a complex undertaking. Rating agencies may need to be involved in developing such a rating. Consistency could also be reduced by practitioners developing their own independent rating systems
 - It doesn’t resolve the question as to the level of assurance (e.g., between reasonable and limited assurance)
 - Arriving at the appropriate rating could involve considerable professional judgement and, accordingly, ratings might not be consistently applied
 - Averaging of ratings could occur when the strength of assurance obtained across an

integrated report varies widely. The final rating applied may be inappropriate and not reflective of the assurance that was obtained on the components of the integrated report

- Ratings are likely to lead to a 'tick box' approach, which would cause deviations from the purpose of <IR> in that organizations would evaluate the quality of their integrated reports based on the rating rather than the assurance appropriate to their own environment.

"Balanced and reasonable" opinion

- 5.21 The Institute of Chartered Accountants of Scotland (ICAS) published "Balanced and Reasonable", a discussion paper on the provision of positive assurance on management commentary, in April 2013²⁵. Although the IAASB assurance framework does not recognize that there could be any level of assurance for an assurance engagement other than reasonable or limited assurance, the ICAS discussion paper laid out a proposal to create a level of assurance somewhere between reasonable and limited assurance (i.e., between that of an audit and a review). Under this proposal, the assurance practitioner would express a conclusion on whether the management commentary is balanced and reasonable based on evidence to the extent it is available but otherwise on the assurance practitioner's knowledge and judgement, drawing on the practitioner's experience and understanding of the client stemming from the financial statement audit.
- 5.22 While balanced and reasonable are defined in the ICAS discussion paper, the broad and subjective nature of those definitions without further criteria for determining when information is balanced and reasonable has the potential to dilute the value of the assurance conclusion given the lack of consistency in application that is likely to arise. Furthermore, given the definitions of reasonable and limited assurance engagements under the IAASB assurance framework, there is not the possibility to create a level of assurance in between the two.

²⁵ Both the discussion paper and a report summarizing the feedback received by ICAS are available on the ICAS website: <http://icas.org.uk/Technical-Knowledge/Audit-And-Assurance/Thought-Leadership/Feedback-and-comments-on-Balanced-and-Reasonable/>

6. Assurance methodology issues

6.1 Chapter 5 discussed the potential paths to developing assurance standards or guidance. This Chapter analyses specific areas relating to <IR> that have been identified as difficult to address under existing assurance frameworks that would be helpful for assurance standard setters to address in the development of assurance standards or guidance with respect to <IR>, including the following:

- Materiality (Section 6A)
- Reporting boundary (Section 6B)
- Internal control considerations (Section 6C)
- Connectivity matters (Section 6D)
- Assessing completeness (Section 6E)
- Assessing narrative reporting, including future-oriented statements (Section 6F)
- Using the work of others (Section 6G)
- Form of assurance report (Section 6H)

6A Materiality

6.2 Materiality is used in two ways:

- Preparers use materiality to determine what to include in an integrated report and to evaluate the accuracy or reasonableness of the disclosures they include
- Assurance practitioners establish a materiality level or threshold to guide their judgements in planning and performing their assurance engagements. Such materiality level or threshold, which is used to determine the nature, timing and extent of procedures and to evaluate the results, is typically influenced by the assurance practitioner's perception of users' needs in relation to the underlying subject matter.

6.3 Both preparers and assurance practitioners apply materiality from a qualitative perspective as well as quantitative. The Framework provides guidance for the preparers' application and the assurance practitioners can consider this in evaluating the completeness and conciseness of an integrated report and the reliability of disclosures included therein. However, additional guidance on the application of the materiality concepts relative to an <IR> assurance engagement is needed for assurance practitioners, including relating to such matters as:

- Defining a material error or omission ("material misstatement")
- Considering the risk of material misstatement in an integrated report
- Establishing materiality levels or thresholds for an assurance engagement, both overall and relative to individual assertions or data
- Application of qualitative considerations
- Assessing cumulative or aggregated misstatements.

6B Reporting boundary

6.4 The Framework defines the reporting boundary as the boundary within which matters are considered relevant for inclusion in an organization's integrated report. While it states that the financial reporting entity is central to the reporting boundary for the integrated report, it also states in paragraph 4.20 of the Framework that identifying and describing outcomes may require disclosure of the effects on capitals up and down the value chain. Paragraph 4.43 of the Framework states that "[a]n integrated report identifies its reporting boundary and explains how it has been determined."

6.5 Inclusion of a description of the reporting boundary poses no significant challenges. However,

obtaining information from organizations outside of the financial reporting entity will not only be challenging to preparers of integrated reports, but assurance practitioners will be concerned with such matters as:

- What the boundary is for assurance purposes and whether it includes information obtained from others
- If information outside of the financial reporting entity is included in the assurance boundary, how to design procedures to obtain evidence with respect to such information
- What constitutes sufficient appropriate evidence.

Regardless of whether a preparer intends to obtain an assurance engagement on its integrated report, the preparer ought to maintain an audit trail. Paragraph 3.42 of the Framework states that “[m]aintaining an audit trail when preparing an integrated report helps senior management and those charged with governance review the report and exercise judgement in deciding whether information is sufficiently reliable to be included.”

6C Internal control considerations

- 6.6 Section 5B discussed considerations of an assurance engagement on the integrated report process, as well as consideration of internal control for purposes of planning an assurance engagement on an integrated report. Financial statement auditors are familiar with adopting a control reliance strategy for financial statements. However, given the characteristics of an integrated report and the fact that systems other than financial systems also may be used to capture information reported in an integrated report, it would be helpful for guidance to be developed on this topic. That guidance may address, e.g., how an <IR> assurance practitioner might adopt a control reliance strategy, including when it is or is not appropriate, and testing considerations specific to the types of information included in an integrated report.

6D Connectivity matters

- 6.7 Assessing the application of the *Connectivity* Guiding Principle is one of the likely challenges that an <IR> assurance practitioner will face. Accordingly, as noted in paragraph 4.15 above, the nature and extent of procedures to determine whether sufficient connectivity is demonstrated in an integrated report and the evidence required to support an organization’s assertions about the cause of certain connections will need to be addressed in any assurance methodologies developed for <IR>.
- 6.8 As discussed in paragraphs 4.16-4.17 above, the Framework permits links to other, more detailed information outside the integrated report. It may be helpful for assurance guidance to address the <IR> assurance practitioner’s responsibility (or lack of responsibility) for such information and the implications for the assurance report to enable consistent applications amongst assurance practitioners.

6E Assessing completeness

- 6.9 Paragraphs 4.25-4.27 above discuss concerns regarding the <IR> assurance practitioner assessing the completeness of an integrated report together with the interplay of the concept of conciseness, the appropriateness of the exclusion of material information under paragraph 1.17 of the Framework, and potential considerations. These matters should be explored further in developing <IR> assurance methodologies; principle-based guidance on how to assess the completeness of an integrated report under an assurance engagement could be very useful.

6F Assessing narrative reporting, including future-oriented statements

- 6.10 As discussed in Section 4C, some of the potential disclosures in an integrated report might be classified as soft narrative or estimates. Such disclosures will require the assurance practitioner to exercise a high degree of professional judgement and scepticism. As intended users and assurance practitioners alike are concerned with the potential for subjectivity in an integrated report, particularly around matters related to future orientation and risk reporting, it would be helpful for assurance guidance to explore how practitioners might address this risk. As discussed

in paragraph 4.30, assurance practitioners will need to consider whether the context and tone set by the manner in which the various disclosures are made is appropriate so as not to cause the integrated report to be misleading to the intended users.

- 6.11 As discussed in paragraph 4.18 regarding the Guiding Principle *Stakeholder relationships*, an integrated report is to disclose “how key stakeholders’ legitimate needs and interests are understood, taken into account and responded to.” While evidence may be easily obtained for some disclosures, for others it may be more challenging to determine what procedures should be performed to obtain sufficient appropriate evidence in support of such disclosures. Assurance practitioners question whether they should be expected to observe, or even participate in, some form of stakeholder engagement, particularly when considering the completeness of an integrated report. Accordingly, this is a topic for which guidance is needed.

6G Using the work of others

- 6.12 There are a number of scenarios in which the use of the work of others might be encountered with respect to performing an assurance engagement on an integrated report, including using the work of:
- Experts
 - Other assurance practitioners (e.g., accounting firms, other external assurance practitioners)
 - Internal auditors.
- 6.13 An integrated report contains disclosures on a variety of aspects of the organization. The assurance practitioner may not have the skills or expertise required to assess the disclosures on all these aspects and, accordingly, might need to place reliance on the work of an expert to enable the assurance practitioner to express a conclusion on the integrated report.
- 6.14 It could be beneficial to place reliance on the work of other assurance practitioners to mitigate the assurance costs related to the integrated report. For example, if the financial statements are audited, and information derived from these statements is included in the integrated report, the extent of testing that the <IR> assurance practitioner might perform could include a reconciliation between the financial information included in the integrated report and the financial statements, or a comparison of reported financial information to the financial statements for reasonability depending on materiality considerations. Relying on the work of the financial statement auditor potentially could decrease the extent of the <IR> assurance practitioner’s work, and the related cost. Depending on the jurisdiction, internal auditors might also provide assistance that could reduce the cost of the assurance engagement.
- 6.15 Although existing assurance standards do address various matters regarding using the work of others, reliance on the work of others could be challenging in the context of some aspects of an integrated report. Therefore, any <IR> assurance methodologies or standards developed would need to provide guidance to the assurance practitioner concerning the specific application to an integrated report of such matters as the following relating to using the work of others:
- *Ability to use the work of others*—When it is acceptable or not to use the work of others, including whether it is appropriate for internal auditors to assist and how (recognizing that in some jurisdictions using the work of internal auditors may not be permitted)
 - *Access to evidence and the work of others*—The ability of the practitioner to obtain evidence and gain access to the work performed by others in order for the practitioner to use such work in the assurance engagement
 - *Quality assurance considerations*—Identification of the <IR> assurance practitioner’s responsibilities for assessing the quality of the other practitioner’s work
 - *Materiality and risk considerations*—The level of involvement of other practitioners, including the materiality threshold for the integrated report versus the materiality threshold used by the other practitioner and the risk of material misstatement

- *Timing of the work of others*—Considerations when the work of others covers a different period than the integrated report (e.g., covers only part of the period)
- *Context of the work of others*—The differing purposes of each set of information reported on by others in comparison to the integrated report, the nature of any information included in both reports, and whether additional procedures are necessary
- *Levels of assurance of reports provided by others*—The sufficiency of the level of assurance of reports provided by others in relation to the level of the assurance of the engagement to be performed by the <IR> assurance practitioner (e.g., the use of a limited assurance report for a reasonable assurance engagement)
- *Nature and frequency of communications*—Communications concerning, e.g., competence, ethics, materiality and the timing of work.

6H Form of assurance report

- 6.16 ISAE 3000 provides guidance on the required elements to be included in an assurance report that will be useful in constructing assurance reports related to <IR>. However, for consistency purposes, it is beneficial for assurance standards or guidance to identify the specific application of the existing basic assurance report elements for an integrated report, including exploration of the manner in which:
- The summary of work performed is described
 - The inherent limitations of an integrated report might be communicated to intended users
 - The work of other assurance practitioners might be referenced
 - The assurance conclusion is expressed
 - “Long form” versus “short form” reporting²⁶ might be used.

6I Conclusion

- 6.17 Just as the form of an integrated report is expected to evolve over time, assurance methodologies will need to evolve to address the assurance needs of preparers and users, and the related issues arising in addressing those needs. Market demand will play a role in the assurance solution; however, assurance practitioners also need to voice their perspectives to ultimately arrive at an appropriate solution. This paper is intended to start the assurance evolution by opening up the debate and focusing assurance standard setters on the principle concerns of potential <IR> assurance practitioners. It is not intended to be a call to return to the drawing board to redefine the assurance concept.
- 6.18 Many assurance practitioners believe that ISAE 3000 and auditing standards with respect to historical financial information provide a strong foundation for assurance engagements relating to an integrated report; however, application guidance is desirable for various aspects of narrative reporting, particularly with respect to many of the matters discussed in this paper that require the exercise of considerable professional judgements by the assurance practitioner. Guidance regarding application of existing fundamental assurance principles to the specific subject matter information of an integrated report assists in achieving consistency in approach between assurance practitioners.
- 6.19 In the journey towards assurance on an integrated report or its preparation process, due consideration needs to be given to what <IR> and an integrated report are intended to achieve and the holistic approach underlying them. Ultimately, an integrated approach to assurance may be necessary; in which case, the market might be best served by a single engagement team²⁷ performing the assurance engagement rather than a patchwork of different assurance

²⁶ ISAE 3000 defines “long form” reports as including “other information and explanations that are not intended to affect the practitioner’s conclusion” and “short form” reports as ordinarily including “only the basic elements.”

²⁷ ISAE 3000 defines “engagement team” as “[a]ll partners and staff performing the engagement, and any individuals engaged by the firm or a network firm who performs procedures on the engagement. This excludes a practitioner’s external expert engaged by the firm or a network firm.”

engagements by various assurance practitioners. However, this may not be possible in certain jurisdictions, such as in the EU, due to prohibitions or caps on other work performed by the financial statement auditor.

- 6.20 In the short term, some initial steps to address particular areas of concern regarding assurance engagements pertaining to <IR> would be helpful. While leading practices evolve as reporters gain more experience with using the Framework, so too will assurance methodologies for <IR> evolve. Accordingly, practical application guidance for assurance practitioners based on existing standards might be a good first step in the journey towards developing assurance methodologies for assurance engagements pertaining to an integrated report.
- 6.21 The development of training for assurance practitioners will also be necessary, both in the subject matter information and in assurance methodologies, so that competent assurance practitioners will be available.

Glossary

For purposes of this paper, unless stated otherwise, the following terms have the meanings attributed below:

1. Assurance engagement

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 outcome of the measurement or evaluation of an underlying subject matter against criteria.*

2. Criteria

The benchmarks used to measure or evaluate the underlying subject matter including, where relevant, benchmarks for presentation and disclosure. Criteria can be formal or less formal. There can be different criteria for the same subject matter.*

3. Integrated report

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 over the short, medium and long term.

4. Integrated Reporting (<IR>)

A process founded on integrated thinking that results in a periodic integrated report by an organization about value creation over time and related communications regarding aspects of value creation.

5. <IR> assurance practitioner

An individual or group that is independent of the reporting organization, and is demonstrably competent in assurance and the subject of <IR>.

6. Limited assurance engagement

An assurance engagement in which the practitioner reduces engagement risk to a level that is acceptable in the circumstances of the engagement but where that risk is greater than for a reasonable assurance engagement as the basis for expressing a conclusion in a form that conveys whether, based on the procedures performed and evidence obtained, a matter(s) has come to the practitioner's attention to cause the practitioner to believe the subject matter information is materially misstated.*

7. Reasonable assurance engagement

An assurance engagement in which the practitioner reduces engagement risk to an acceptably low level in the circumstances of the engagement as the basis for the practitioner's conclusion. The practitioner's conclusion is expressed in a form that conveys the practitioner's opinion on the outcome of the measurement or evaluation of the underlying subject matter against criteria.*

8. Subject matter information

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

9. Underlying subject matter

The phenomenon that is measured or evaluated by applying criteria.*

* Definition derived from the IAASB assurance framework or ISAE 3000.

References

ACCOUNTABILITY. www.accountability.org/standards

- AA1000 Assurance Standard 2008
- AA1000 AccountAbility Principles Standard 2008.

INSTITUTE OF CHARTERED ACCOUNTANTS OF SCOTLAND (ICAS). Technical Policy Board of ICAS, Scotland:

- *Balanced and Reasonable*, a discussion paper on the provision of positive assurance on management commentary (April 2013)
- *Assurance on Management Commentary—Where Next?* (April 2014).

INTERNATIONAL AUDITING AND ASSURANCE STANDARDS BOARD. *Handbook of International Quality Control, Auditing, Review, Other Assurance and Related Services Pronouncements*. New York: International Federation of Accountants:

- International Framework for Assurance Engagements (amended)
- International Standard on Assurance Engagements (ISAE) 3000 (revised): *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*
- International Standard on Assurance Engagements (ISAE) 3400: *The Examination of Prospective Financial Information*
- International Standard on Assurance Engagements (ISAE) 3402: *Assurance Reports on Controls at a Service Organization*
- International Standard on Related Services (ISRS) 4400: *Engagements to Perform Agreed-Upon Procedures Regarding Financial Information*
- International Standard on Review Engagements (ISRE) 2400: *Engagements to Review Financial Statements*
- International Standard on Review Engagements (ISRE) 2410: *Review of Interim Financial Information*.

INTERNATIONAL INTEGRATED REPORTING COUNCIL:

- The International <IR> Framework (December 2013)
- Basis for Conclusions, International <IR> Framework (December 2013)
- Summary of Significant Issues, International <IR> Framework (December 2013)
- Consultation Draft of the International <IR> Framework (April 2013).

Appendix 1—Existing assurance/related services standards and their potential application to <IR>

The following table identifies certain existing assurance standards issued by various standard-setting bodies around the world, and their potential application to assurance related to <IR>. It is not an all-inclusive listing but rather focuses on those standards that might be considered in developing assurance methodologies or standards related to <IR>, primarily assurance on an integrated report.

Standard-setting body	Standard or publication title	Description	Potential application to <IR>
AccountAbility	AA1000 Assurance Standard (AA1000AS)	Provides requirements for conducting “sustainability assurance” that evaluates and provides conclusions on: (i) the nature and extent of adherence to the AA1000 AccountAbility Principles; and (ii) where applicable, the quality of publicly disclosed information on sustainability performance.	It is possible that this standard can be supplemented or adapted to include direction on how to obtain assurance on other principles, such as those contained in the Framework.
American Institute of Certified Public Accountants (AICPA)	Attestation Standards		
	Attest Engagements (AT 101)	Provides a framework for performing attest engagements that are not covered by other standards. Engagements under this standard may be examinations (high level of assurance) or reviews (moderate level of assurance).	This standard can be used as a basis on which to build Integrated Reporting assurance.
	Agreed-Upon Procedures Engagements (AT 201)	Practitioner is engaged by a client to issue a report of findings based on specific procedures performed on a subject matter; the specified parties and practitioner agree upon the procedures to be performed by the practitioner that the specified parties believe are appropriate to assist the specified parties in evaluating the subject matter or an assertion. No conclusion is provided – the report only states the findings based on procedures performed.	This standard may be applied to integrated reports. However, under this standard: (a) the use of the practitioner’s report is restricted to specified parties who agreed to and accepted responsibility for the sufficiency of the procedures to be performed; obtaining such agreement for a large group of stakeholders would be a challenge; and (b) the engagement is not an assurance engagement as no conclusion is expressed by the practitioner.
	Financial Forecasts and Projections (AT 301)	Standard for the compilation, examination and performance of agreed-upon procedures on prospective financial information.	The principles might be adapted for future-oriented financial information within an integrated report, and may assist in developing principles for assurance and

Standard-setting body	Standard or publication title	Description	Potential application to <IR>
			measurement of non-financial prospective information.
	Reporting on Pro Forma Financial Information (AT 401)	Standard for the examination (high level of assurance) and review (moderate level of assurance) of pro forma financial information (i.e., information that shows what the significant effects on historical financial information might have been had a consummated or proposed transaction (or event) occurred at an earlier date).	Principles in this standard could be adapted to cover consolidated information and information across the value chain.
	Examination of an Entity's Internal Control Over Financial Reporting That Is Integrated With an Audit of Its Financial Statements (AT 501)	Standard that applies when the financial statement auditor is engaged to perform an examination of the design and operating effectiveness of an organization's internal control over financial reporting that is integrated with an audit of financial statements.	Assurance principles could be adapted to reporting on the integrated report process if suitable criteria are available (see Section 4D).
	Compliance Attestation (AT 601)	Standard applies to engagements related to (a) an organization's compliance with requirements of specified laws, regulations, rules, contracts or grants, or (b) effectiveness of an organization's internal control over compliance with specified requirements. Compliance requirements may be either financial or non-financial in nature. Engagements may take the form of agreed-upon procedures or examinations.	Principles in this standard might be applied to the assurance methodology concerning controls and processes relating to issues around compliance and governance that are included in the integrated report.
	Management's Discussion and Analysis (AT 701)	Standard on engagements to examine (high level of assurance) or review (moderate level of assurance) management's discussion and analysis prepared pursuant to US SEC rules and regulations.	This standard could be used as the foundation for the development of an assurance standard relating to an integrated report.
	Reporting on Controls at a Service Organization (AT 801)	Standard addressing examination engagements undertaken by a service auditor to report on controls at an organization that provides services to user organizations when those controls are likely to be relevant to user organizations' internal control over financial reporting.	This standard could have some relevance relating to systems and processes at an organization outside of the organization's financial reporting boundary that affects information contained in an integrated report. Also, its guidance relating to assessing the suitability of criteria might be useful in developing assurance

Standard-setting body	Standard or publication title	Description	Potential application to <IR>
			methodologies relating to management's description of their materiality determination process and other aspects of the integrated report process.
	Statements of Position (SOPs)		
	Attest Engagements on Greenhouse Gas Emissions Information (SOP 13-1)	Provides guidance on the application of AT 101 to the subject matter of greenhouse gas emissions (GHG) information (addresses both examination and review engagements).	Methodology can be applied to disclosures within an integrated report relating to GHG emissions.
Auditing and Accounting Board of the Institute of Public Auditors in Germany	Generally Accepted Assurance Principles for the Audit or Review of Sustainability Reports (Draft IDW Ass 821)	This draft standard provides guidance on how to obtain assurance regarding self-contained sustainability reports.	This draft standard could assist in the development of assurance principles around non-financial information, specifically sustainability information included in an integrated report.
Independent Regulatory Board for Auditors in South Africa	Assurance Engagements on Broad-based Black Economic Empowerment (B-BBEE) Certificates (SASAE 3502)	Standard that relates to the assurance practitioner's responsibility around reporting on an organization's empowerment scorecard/certification (which organizations complete themselves).	This standard could play a role in respect of other types of self-certifications or self-assurances, such as internal controls, board effectiveness, etc.
International Audit and Assurance Standards Board (IAASB)	International Framework for Assurance Engagements (amended)	Framework to facilitate understanding of the elements and objectives of an assurance engagement and the engagements to which the International Standards of Auditing (ISAs), International Standards on Review Engagements (ISREs) and the international Standards on Assurance Engagements (ISAEs) apply.	The concepts in this framework can be used as a basis on which to build integrated reporting assurance.
	INTERNATIONAL STANDARDS ON AUDITING (ISAs)		
	Framework of standards for performing a financial statement audit (ISAs 200 – 810)	The ISA standards govern various aspects of the audit of financial statements.	To the extent that financial information is included in the integrated report, the ISAs may assist with assurance principles. The ISAs may also provide principles on how to gain an understanding of the organization in order to

Standard-setting body	Standard or publication title	Description	Potential application to <IR>
			<p>obtain assurance. The standards focus on the understanding needed for a financial statement audit and would need to be extended for assurance on Integrated Reporting.</p> <p><i>ISA 720, The Auditor's Responsibilities Relating to Other Information in Documents Containing Audited Financial Statements</i>, may have specific implications for an integrated report as discussed in Section 5D.</p>
	INTERNATIONAL STANDARDS ON REVIEW ENGAGEMENTS (ISREs)		
	Engagements to Review Financial Statements (ISRE 2400)	Standard for the review of financial statements by a practitioner who is not the auditor of the organization's financial statements.	Principles contained in this standard may be useful in developing principles for reviews of other historical information (financial and non-financial) contained in an integrated report.
	Review of Interim Financial Information Performed by the Independent Auditor of the Entity (ISRE 2410)	Standard for the review of interim financial information by the organization's financial statement auditor.	Principles contained in this standard may be useful in developing principles for reviews of other historical financial information contained in an integrated report.
	INTERNATIONAL STANDARDS ON ASSURANCE ENGAGEMENTS (ISAEs)		
	Assurance Engagements other than Audits or Reviews of Historical Financial Information (ISAE 3000 revised)	Standard for reasonable and limited assurance engagements on subject matters other than historical financial information.	This standard can be used as a basis on which to build assurance methodologies relating to an integrated report or the integrated report process. The provisions of the standard are not specific to the concepts underlying an integrated report and, accordingly, tailored application guidance will be needed to enable consistent application.
	The Examination of Prospective Financial Information (ISAE 3400)	Provides guidance on the examination and estimation of prospective financial information.	The principles might be adapted to engagements to obtain assurance regarding future-oriented information within an integrated report, and may assist in developing principles for assurance and

Standard-setting body	Standard or publication title	Description	Potential application to <IR>
			measurement of non-financial prospective information.
	Assurance Reports on Controls at a Service Organization (ISAE 3402)	Provides guidance for the auditor of a service organization to report on controls of the service organization for use by user organizations and their financial statement auditors. The assurance is given on the description of the controls, the suitability of the design of such controls, and whether the operated effectively.	This standard could have some relevance relating to systems and processes at an organization outside of the organization's financial reporting boundary that affects information contained in an integrated report. Also, its guidance relating to assessing the suitability of criteria might be useful in developing assurance methodologies relating to management's description of their materiality determination process and other aspects of the integrated report process.
	Assurance Engagements on Greenhouse Gas Statements (ISAE 3410)	Tailors ISAE 3000 for the specific subject matter of GHG information, provides for reasonable and limited assurance engagements.	The principles in this standard may be adapted to provide principles and application material for GHG information included in an integrated report as well as other non-financial information.
	Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus (ISAE 3420)	Standard for reasonable assurance engagements to report on the preparer's compilation of pro forma financial information included in a prospectus.	Use of this standard is limited to situations in which pro forma information is (a) required by securities law or regulation, or (b) a generally accepted practice in the preparer's jurisdiction. However, the principles in this standard may be useful if any pro forma information is included in an integrated report as well as in the development of guidance applicable to non-financial information.
	INTERNATIONAL STANDARDS ON RELATED SERVICES (ISRSs)		
	Engagements to Perform Agreed-upon Procedures Regarding Financial Information (ISRS 4400)	Provides guidance to the auditor in performing specific procedures on financial information. No conclusion is provided – the report only states the findings resulting from the procedures performed.	The standard may be applied to financial information included in an integrated report and may also be useful in applying procedures to non-financial information contained therein. However, under this standard: (a) the procedures need to be agreed upon by all users of the report, and achieving such agreement from a large group of stakeholders would

Standard-setting body	Standard or publication title	Description	Potential application to <IR>
			be a challenge; and (b) the engagement is not an assurance engagement as no conclusion is expressed by the practitioner.
	Compilation Engagements (ISRS 4410)	Standard for the compilation of historical financial information.	This standard might be used by a practitioner to compile an integrated report; however, applicable independence rules would need to be considered if the practitioner is also the financial statement auditor or <IR> assurance practitioner as to whether the service is permissible.
International Organization of Supreme Audit Institutions (INTOSAI)	<p>Compliance Audit Guidelines – For Audits Performed Separately from the Audit of the Financial Statements (ISSAI 4100)</p> <p>Compliance Audit Guidelines – Compliance Audit Related to the Audit of Financial Statements (ISSAI 4200)</p>	<p>Applicable to the provision of assurance on compliance of public sector organizations with relevant laws and regulations. The criteria for such engagements vary based on country, but may be drawn from financial reporting frameworks, laws, contracts, etc.</p> <p>Both guidelines are consistent documents written from the different perspectives of whether the compliance audit is performed separately or in relation to the financial statement audit.</p>	The principles in these guidelines might be useful in obtaining assurance over assertions regarding compliance with laws, policies, etc., or for providing a benchmark for reports that conclude on the organization's compliance with requirements contained in the Framework.
International Standards Organization (ISO)	Greenhouse Gases – Part 3: Specification with guidance for the validation and verification of greenhouse gas assertions (ISO 14064 – 3)	Specifies requirements for selecting GHG “validators/verifiers”; establishing levels of assurance, objectives, criteria and scope; determining validation/verification approach; assessing GHG data, information, information systems and controls; evaluating GHG assertions; and preparing validation/verification statements.	The principles within this framework could be referred to in developing an assurance framework applicable to <IR> and with respect to assurance procedures for greenhouse gas assertions contained in an integrated report.
	Guidelines for auditing management systems (ISO 19011)	Provides guidance on audits of management systems (systems to establish policy and objectives) and on the evaluation of competence of individuals involved in the audit process.	The principles in this standard could be useful in approaching assurance over processes and systems such as risk management, etc.

Standard-setting body	Standard or publication title	Description	Potential application to <IR>
Public Company Accounting Oversight Board (PCAOB)	An Audit of Internal Control Over Financial Reporting That Is Integrated with an Audit of Financial Statements [PCAOB Auditing Standard (AS) 5]	Standard for financial statement auditors expressing an opinion as to management's assessment of the effectiveness of internal control over financial reporting at year-end.	The principles within this standard might be adapted to obtain assurance on the effectiveness of internal control over the integrated report process (versus financial reporting) if suitable criteria are identified (see Section 4D).
	Consideration of Materiality in Planning and Performing an Audit [PCAOB Auditing Standard (AS) 11]	Establishes requirements regarding the auditor's consideration of materiality in planning and performing an integrated audit (an audit of the financial statements and the effectiveness of internal control over financial reporting).	The concepts in this standard might be useful in developing guidance concerning the assurance practitioner's consideration of materiality relating to an integrated report.
Royal NIVRA	Assurance Engagements relating to Sustainability Reports (3410 N)	Provides guidance for both audits and reviews of a sustainability report, specifying the difference in evidence required for each type of engagement.	This standard might be useful in setting different evidence requirements for differing levels of assurance.

Appendix 2 – Analysis of types of information included in an integrated report

CONTENT ELEMENT	DISCLOSURE TOPICS	POTENTIAL DISCLOSURES	TYPES OF DISCLOSURE (see Section 4C)
Organizational overview and external environment. What does the organization do and what are the circumstances under which it operates?	Organization's mission and vision	<ul style="list-style-type: none"> Mission statement or summary Description of culture, ethics and values of the organization 	Soft narrative
	Operating context	<ul style="list-style-type: none"> Ownership and operating structure Principal activities, markets, products and services (description and quantifications) Competitive landscape, market positioning, position within the value chain 	Factual narrative; quantified measurements (size); soft narrative (views); diagrams
	External environment	Implications of legal, commercial, social, environmental and political context affecting its ability to create value	Factual narrative; soft narrative (views); statistics
Governance: How does the organization's governance structure support its ability to create value in the short, medium and long term?	Leadership structure	<ul style="list-style-type: none"> Diversity and skills of leadership and those charged with governance and whether regulatory requirements influence the design of the governance structure 	Factual narrative
	Governance practices	<ul style="list-style-type: none"> Processes used to make strategic decisions and to establish and monitor the organization's culture Actions taken by those charged with governance to influence and monitor the strategic direction of the organization and its approach to risk management Whether governance practices exceed legal requirements Responsibility that those charged with governance take for promoting and enabling innovation Manner in which culture, ethics and values are reflected in the organization's use of and effects on the capitals 	Factual narrative; soft narrative (views)
	Remuneration and incentives	How remuneration and incentives are linked to value creation in the short, medium and long term, including how they are linked to the organization's use of and effects on the capitals	Quantified measurements; soft narrative; factual narrative
Business model: What is the organization's business model?	Inputs	<ul style="list-style-type: none"> Nature of key inputs and relationship to the capitals on which the organization depends or that provide a source of differentiation Nature and magnitude of significant trade-offs influencing selection of inputs 	Quantified measurements; factual narrative; soft narrative (views)
	Business activities	<ul style="list-style-type: none"> Description of those activities for which the organization differentiates itself in the marketplace Extent to which the business model relies on revenue generation after the initial point of sale 	Soft narrative; factual narrative

CONTENT ELEMENT	DISCLOSURE TOPICS	POTENTIAL DISCLOSURES	TYPES OF DISCLOSURE (see Section 4C)
		<ul style="list-style-type: none"> How the organization approaches the need to innovate How the business model has been designed to adapt to change Contribution of initiatives to long term success 	
	Outputs	<ul style="list-style-type: none"> Key products and services that the organization places in the market Material by-products and waste 	Factual narrative; quantified measurements
	Outcomes	<ul style="list-style-type: none"> Internal outcomes on the capitals (e.g., employee morale, organizational reputation, revenue and cash flows) External outcomes on the capitals (e.g., customer satisfaction, tax payments, brand loyalty, and social and environmental effects) 	Quantified measurements; factual narrative; soft narrative
Risks and opportunities: What are the specific risks and opportunities that affect the organization's ability to create value over the short, medium and long term, and how is the organization dealing with them?	Source of key risks and opportunities	<p>External sources:</p> <ul style="list-style-type: none"> Legitimate needs and interests of key stakeholders Macro and micro economic conditions (e.g., economic stability, globalization, industry trends) Market forces (e.g., relative strengths and weaknesses of competitors and customer demands) Speed and effect of technological change Societal issues (e.g., population and demographic changes, human rights, health, poverty, collective values and educational systems) Environmental challenges (e.g., climate change, loss of ecosystems, resource shortages) Legislative and regulatory environment in which the organization operates Political environment in countries in which the organization operates and in other countries that may affect the ability of the organization to implement its strategy <p>Internal sources:</p> <ul style="list-style-type: none"> Initiatives that influence the effectiveness and efficiency of business activities Market differentiation Culture of innovation Capacity of business model to adapt to change 	Factual narrative; soft narrative (views)
	Actions taken in response to risks and opportunities	<ul style="list-style-type: none"> Assessment of the likelihood that the risk or opportunity will come to fruition Specific steps being taken to mitigate/manage key risks and to create value from key opportunities 	Soft narrative (views); factual narrative (historical events)

CONTENT ELEMENT	DISCLOSURE TOPICS	POTENTIAL DISCLOSURES	TYPES OF DISCLOSURE (see Section 4C)
	Magnitude of effect	Estimates of potential effects	Soft narrative with uncertainty (views); quantified measurements with uncertainty
Strategy and resource allocation: Where does the organization want to go and how does it intend to get there?	Strategic plans	<ul style="list-style-type: none"> Strategic objectives for short, medium and long term Strategies to achieve the strategic objectives (in place and those intended to be implemented) Resource allocation plans (in place and those intended to be implemented) Key features and findings of stakeholder consultation used in formulating strategy and resource allocation plans 	Factual narrative; soft narrative (future orientation; views)
	Competitive advantage differentiating factors	<ul style="list-style-type: none"> Role of innovation How the organization develops and exploits intellectual capital Extent to which environmental and social considerations have been embedded in strategy to give it competitive advantage 	Soft narrative (views; future orientation); factual narrative (historical events)
	Linkage to other Content Elements	<ul style="list-style-type: none"> Linkage to business model and what changes may be necessary to implement chosen strategies How plans are influenced by/respond to the external environment and identified risks and opportunities How plans affect the capitals and risk management arrangements related to those capitals 	Factual narrative; Soft narrative (views; future orientation)
Performance: To what extent has the organization achieved its strategic objectives for the period and what are its outcomes in terms of effects on the capitals?	Quantitative measurements of performance	<ul style="list-style-type: none"> Quantitative indicators with respect to targets and risks and opportunities Explanations of significance, their implications, and methods and assumptions used in compiling quantitative indicators Organization's quantified effects on the capitals (e.g., financial, manufactured capitals) 	Quantified measurements; factual narrative; soft narrative
	Qualitative assessments of performance	<ul style="list-style-type: none"> Qualitative effects on the capitals, including material effects on the capitals up and down the value chain State of key stakeholder relationships and how the organization has responded to their legitimate needs and interests Qualitative disclosures explaining changes in the availability, quality or affordability of the capitals and business inputs and how their use by the organization increases, decreases or transforms them 	Soft narrative; factual narrative

CONTENT ELEMENT	DISCLOSURE TOPICS	POTENTIAL DISCLOSURES	TYPES OF DISCLOSURE (see Section 4C)
	Linkages between past and current performance and between current performance and outlook	<ul style="list-style-type: none"> • Explanations for significant variations from targets, trends or benchmarks, and why they are or are not expected to reoccur • Narratives explaining the financial implications of significant effects on other capitals • Discussion of material effects on performance resulting from regulations or regulatory actions 	Soft narrative; factual narrative; quantified measurements
	Effects of regulations	<ul style="list-style-type: none"> • Discussion of significant effects of regulations on performance (e.g., constraint on revenues as a result of regulatory rate setting) • Description of significant effects of non-compliance with laws or regulations affecting its operations 	Factual narrative; soft narrative; quantified measurements
Outlook: What challenges and uncertainties is the organization likely to encounter in pursuing its strategy, and what are the potential implications for its business model and future performance?	Anticipated changes over time	<ul style="list-style-type: none"> • Organization's expectations about the external environment the organization is likely to face in the short, medium and long term • Analysis of how the external environment, risks and opportunities could affect the achievement of strategic objectives in the short, medium and long term • Appraisal of competitive landscape and market positioning • Description of the availability, quality and affordability of capitals that the organization uses or affects • Main assumptions and possible risks • Lead indicators, KPIs or objectives • Information from external sources • Sensitivity analyses • Forecasts and projections²⁸ 	Soft narrative (views); quantified or qualitative estimates (future orientation); factual narrative (key assumptions used)
	Potential implications	<ul style="list-style-type: none"> • How the external environment will affect the organization • How the organization is currently equipped to respond to the critical challenges and uncertainties that may arise • How key relationships are managed and why they are important to the organization's ability to create value over time 	Soft narrative (views); quantified or qualitative estimates

²⁸ The International <IR> Framework does not specifically require forecasts and projections; however, they are listed here as a potential disclosure for purposes of analysis of the assurance-related issues.

CONTENT ELEMENT	DISCLOSURE TOPICS	POTENTIAL DISCLOSURES	TYPES OF DISCLOSURE (see Section 4C)
<i>Basis of preparation and presentation:</i> How does the organization determine what matters to include in the integrated report and how are such matters quantified or evaluated?	Summary of materiality determination process	<ul style="list-style-type: none"> • Description of process used to identify relevant matters, evaluate their importance and narrow them down to material matters • Identification of the role of those charged with governance and key personnel in the identification and prioritization of material matters 	Factual narrative
	Reporting boundary	<ul style="list-style-type: none"> • Identification of the organization's reporting boundary and explanation of how it has been determined • Description of any limitations in the nature and extent of information that can be presented (e.g., availability of reliable data relating to organizations included in the reporting boundary that it does not control) and actions being taken to overcome them 	Factual narrative
	Summary of significant frameworks and methods	Identification of significant frameworks and methods used to quantify or evaluate material matters included in the report (e.g., applicable financial reporting standards used for the financial statements; organization-defined formula for measuring customer satisfaction; industry-based framework for evaluating risks)	Factual narrative

INTEGRATED REPORTING <IR>

www.theiirc.org/assurance