



December 1, 2014

Mervyn King  
Chairman  
International Integrated Reporting Council  
Submitted via [www.assurance@theiirc.org](mailto:www.assurance@theiirc.org)

Re: Assurance on <IR>

Dear Mr. King,

The American Institute of Certified Public Accountants (AICPA) is pleased to comment on the *Assurance on <IR>: An Exploration of Issues* Discussion Paper. We would like to commend the International Integrated Reporting Council (IIRC) on raising awareness of the issues related to providing assurance on <IR>, and soliciting feedback from key market constituents on this topic. The AICPA supports the IIRC's development of a voluntary, globally relevant framework for companies to follow in communicating how they create value, and we recognize the importance of complementary efforts to facilitate the provision of meaningful assurance on <IR>.

As stated in our comments on the 2013 IIRC International Integrated Reporting Framework Consultation Draft, users of business information rely on companies to communicate relevant financial and nonfinancial information. While entities regularly provide such information to influence decisions, it is not enough merely to provide information; decision makers using that information must have confidence that it is reliable. Credibility is key, and decision makers' confidence in the information they rely on can be obtained through third-party assurance provided in accordance with high-quality, internationally accepted assurance standards such as those promulgated by the International Auditing and Assurance Standards Board (IAASB).

We believe the detailed IIRC Discussion Paper *Assurance on <IR>: an Exploration of Issues* does an excellent job of putting forth the issues and related considerations that assurance standard setting bodies, such as the IAASB and national assurance standards setters, must consider in working together with practitioners on any new standards or specific practice guidance for assurance on non-financial reporting. In this regard we are pleased that the IAASB has established an Integrated Reporting Working Group to focus on <IR> assurance. The IAASB is an appropriate body to consider the issues laid out in the *Assurance on <IR>* paper, and to deliberate some of the key questions raised in the paper such as whether a new standard or guidance is needed, and how best to address the implementation and technical challenges of providing meaningful assurance on <IR>.

Based on our experience in setting assurance standards and developing related guidance, we do not believe that any of the assurance challenges raised in the *Assurance on <IR>* paper are insurmountable. We believe that assurance relating to <IR> should be provided under ISAE 3000, Assurance Engagements Other than Audits or Reviews of Historical Financial Information, or AT 101, Attest Engagements, or alternatively under a new standard developed for purpose by a recognized assurance standards setter. Furthermore, such assurance should be performed by an assurance practitioner demonstrating independence, objectivity, integrity, strong analytical skills, experience in measuring various subject matters against criteria, processes for testing the reliability of data, and clarity in reporting results. Qualified assurance practitioners would also be subject to professional standards covering ethics, quality control and service-specific standards, as well as credible legal and regulatory oversight.

We also continue to believe in the relevance of the other mechanisms articulated in the <IR> Framework for demonstrating the reliability of an integrated report (sound leadership, robust internal reporting systems, the involvement of internal audit and stakeholder involvement), just as they are important aspects of demonstrating the reliability of traditional financial statements to providers of financial capital. Before seeking external assurance, management must first get comfortable with the reliability of the information they are reporting, in part through the establishment and oversight of an effective internal control environment. Accordingly, guidance on the design and implementation of internal control over <IR> would be beneficial in addition to the development of professional standards or guidance covering <IR> assurance by the IAASB and national assurance standards setters.

Given the nature and scope of <IR> and integrated reports (often non-financial and narrative information, covering not only financial and manufactured capital, but also natural, social and relationship, human and intellectual capitals), traditional methods of financial statement audit alone will not suffice in enabling meaningful assurance relating to <IR>. International and national assurance standards setters already have work in progress to address this challenge in innovative ways. It is also necessary for preparers and providers of financial capital to weigh in on what the subject matter of assurance relating to <IR> should be (e.g. the integrated report as a whole, only parts thereof, the internal control over the preparation of an integrated report, or both the report as a whole and internal control). The subject matter of assurance is a key factor to be decided before any assurance standards or specific methodology can be developed.

Furthermore, regardless of the subject matter being covered, Certified Public Accountants (CPAs) and Chartered Accountants possess the skills and training necessary to deliver high quality assurance services, and when dealing with subject matter outside of the realm of financial information, licensed auditors are required either to obtain expertise in the subject matter through training or experience, or to engage specialists with expertise to assist them in delivering the service. As explained in the



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AICPA whitepaper entitled *Assurance Services: A Whitepaper for Providers and Users of Business Information*, the range of information subject to CPA services has expanded far beyond financial statements over the years, as have the types of services themselves. Just as <IR> represents a natural evolution of corporate reporting, assurance on <IR> is a natural extension of the independent assurance that auditors provide on corporate reporting.

Please do not hesitate to contact us should you require further clarification, and please note that we welcome ongoing dialog with IIRC on how the AICPA can continue to support your efforts.

Sincerely,

A handwritten signature in black ink, appearing to read "B. C. Melancon". The signature is fluid and cursive, with a long horizontal stroke at the end.

Barry C. Melancon, CPA  
President and CEO  
AICPA

**About the AICPA**

The AICPA is the world's largest member association representing the accounting profession, with more than 400,000 members in 128 countries and a 125-year heritage of serving the public interest. AICPA members represent many areas of practice, including business and industry, public practice, government, education and consulting.

The AICPA sets ethical standards for the profession and U.S. auditing standards for audits of private companies, nonprofit organizations, federal, state and local governments. It develops and grades the Uniform CPA Examination and offers specialty credentials for CPAs who concentrate on personal financial planning; fraud and forensics; business valuation; and information technology. Through a joint venture with the Chartered Institute of Management Accountants (CIMA), it has established the Chartered Global Management Accountant (CGMA) designation to elevate management accounting globally.