



CHARTERED ACCOUNTANTS  
AUSTRALIA + NEW ZEALAND

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Professor Mervyn King  
Chairman  
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By email: [assurance@theiirc.org](mailto:assurance@theiirc.org)

Dear Professor King

**Submission on Discussion Paper: Assurance on Integrated Reporting (<IR>) – An Exploration of Issues (“the paper”)**

Chartered Accountants Australia and New Zealand commends the International Integrated Reporting Council (IIRC) for initiating the wider debate on this important topic and note the comprehensive work that has been carried out. We support the provision of assurance on <IR>, while recognising that it presents a number of practical challenges for the assurance profession. The paper identifies and provides a thorough review of such issues. Our commentary is provided in light of this supportive view.

In considering the paper and consulting our membership several salient themes arose which we highlight here:

**1. Information subject to assurance**

The paper draws a distinction between assurance in relation to the processes that produce the <IR> information and assurance over the content of the integrated report. We note that the two are interrelated. In practical terms, the process approach may be useful as a tool for entities as they evolve their integrated reporting. The risk of adopting this approach is that users may not understand the difference and therefore deduce assurance over the <IR> information itself.

The objective of the principles-based <IR> Framework is to establish the criteria to assist entities develop the content of an integrated report, rather than refine the process of preparing the integrated report. Therefore assurance on <IR> should have the same focus, that is assurance over the content. We believe that the <IR> Framework provides suitable criteria for such assurance.

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## **2. Holistic approach**

To further support the holistic approach to <IR>, the ultimate aim should be a consistent level of assurance over the entire integrated report. Carving out certain <IR> information from the assurance engagement or having certain information subject to differing levels of assurance would increase complexity, both in terms of the scope of the engagement and the content of the assurance report. In addition, this approach is unlikely to support the criterion of understandability for users. However, similar to the development of <IR>, assurance on <IR> will also be an evolutionary process so different approaches may well be part of the <IR> journey.

## **3. Standards and guidance**

Until there is more maturity and uniformity in the form and content of integrated reports it may not be feasible to develop a subject matter specific standard for assurance on <IR>. The benefit of having principle-based assurance standards is that they can be applied to a whole range of different subject matter information. On this basis, the existing assurance framework and standards should provide a sufficient basis for assurance on <IR> engagements.

The best initial approach is for guidance on how to apply the principles in the existing assurance standards to <IR>.

## **4. Diverse user groups**

For financial reports, there is frequently a homogenous group of users. We believe this assumption does not hold for integrated reports, nor is it in the spirit <IR> was developed. For some entities or industries, a particular element of an integrated report may be of more interest than others. Identifying users for a particular integrated report will therefore be more complex than for other types of assurance engagements. Any assurance standards or guidance will need to provide direction on the auditors' role to understand who the users are for that particular report, and what their needs are. This would include appropriate documentation of the conclusions.

## **Chartered Accountants Australia and New Zealand**

Chartered Accountants Australia and New Zealand is made up of over 100,000 diverse, talented and financially astute professionals who utilise their skills every day to make a difference for businesses the world over.

Members of Chartered Accountants Australia and New Zealand are known for professional integrity, principled judgement and financial discipline, and a forward-looking approach to business. We focus on the education and lifelong learning of members, and engage in advocacy and thought leadership in areas that impact the economy and domestic and international capital markets.

We are represented on the Board of the International Federation of Accountants, and are connected globally through the 800,000-strong Global Accounting Alliance and Chartered Accountants Worldwide which brings together leading Institutes in Australia, England and Wales, Ireland, New Zealand, Scotland and South Africa to support and promote over 320,000 Chartered Accountants in more than 180 countries.

The appendix to this letter provides responses to the specific questions raised in the ED. If you have any questions regarding this submission, please contact Liz Stamford (Audit and Insolvency Leader) via email; [Liz.Stamford@charteredaccountantsanz.com](mailto:Liz.Stamford@charteredaccountantsanz.com)

Yours sincerely

A handwritten signature in black ink, appearing to read 'Rob Ward', written in a cursive style.

**Rob Ward FCA**  
**Head of Leadership and Advocacy**

## **Appendix: Responses to specific questions**

### **Q1. What priority should be placed on assurance in the context of driving credibility and trust in <IR>?**

From a user perspective, independent external assurance could be effective for obtaining a degree of confidence over the reliability of an integrated report. However, the reliability of an integrated report can be demonstrated in a number of ways, assurance is just one such mechanism.

Before turning to assurance by default, we support greater exploration of other appropriate mechanisms for demonstrating reliability and enhancing the credibility of an integrated report. We recommend that an entity should also consider their transparency over those mechanisms which already exist within the entity, such as robust internal reporting systems and effective corporate governance. Reliability may also be enhanced by the operation of specialist internal committees such as internal audit, risk and remuneration committees. Providing transparency of the role and findings of these processes will enhance credibility and trust.

### **Q2. What are the key features of assurance that will best suit the needs of users of integrated reports in years to come?**

There is a need for flexibility, as the content of an integrated report is likely to vary significantly from one entity to another. The advantage of an assurance engagement is it can be scoped to meet the specific needs of users of a particular integrated report.

### **Q3. Is the availability of suitably skilled and experienced practitioners a problem in your jurisdiction, and if so what needs to be done, and by whom, to remedy the situation?**

Empirical evidence suggests that the profession is experiencing recruitment difficulties across both Australia and New Zealand which appears to be more acute in regional, rural and remote areas. While there is generally less difficulty recruiting graduates, shortages are most prevalent for individuals with three to five years' experience. The need for suitably qualified, skilled and experienced assurance practitioners is increasing due to the confluence of economic conditions, significant regulatory changes and other dynamics.

There is a concern that assurance is becoming a less attractive profession for young people to consider as a long term career proposition. As a profession we need to be encouraging and proud of what we do, in order to promote a strong future supply of assurance practitioners. Assurance on <IR> may provide more interesting work opportunities.

Multi-disciplinary teams would be required in order to have the necessary skills and expertise in a whole range of subject matters, for example; sustainability, environmental or health and safety reporting. Therefore firms will have to recruit individuals with operational and process experience in such areas to participate in the engagement teams, and the profession will have to consider how to provide them with assurance skills. Alternatively assurance practitioners may need to use the work of external subject matter experts more than they traditionally would under a financial statement audit.

**Q4. What needs to be done, and by whom, to ensure the quality of assurance on <IR> is maintained at a high level, including practitioners' adherence to suitable educational, ethical (including independence), quality control and performance standards?**

As reflected in the assurance standards, it is important that the work should be carried out by individuals sufficiently competent to perform assurance engagements. The existence of specified qualification requirements for assurance practitioners acts as a safeguard by ensuring that only those with the necessary competence and skills can perform such engagements.

However, when there is no statutory requirement for the preparation of an integrated report and assurance thereon, it follows there is no mechanism to prescribe who can perform the proposed assurance work. Entities should be encouraged to only appoint practitioners who are trained in assurance and we fully support participation of members of professional accounting bodies as assurance practitioners. This would ensure the quality of assurance on <IR> is maintained at a high level because members of professional bodies have continuing professional development requirements and their work is subject to quality review programs.

**Q5. Is the robustness of internal systems a problem, and if so what needs to be done, and by whom, to remedy the situation?**

The robustness of internal systems is the responsibility of those charged with governance of the entity. It is those responsible for preparing the <IR> information that need to ensure that the internal systems are robust enough to generate the required information and to have the necessary processes in place to allow assurance over <IR> information. Such processes should include the maintenance of an audit trail which substantiates <IR> information.

**Q6. Is assurance likely to be a cost effective mechanism to ensure credibility and trust over (a) the short/medium term; and (b) the long term?**

Whilst acknowledging that independent external assurance can provide reliability over an integrated report, this mechanism may not be a viable option in the short to medium term for all entities given the time and cost involved. Indeed it is likely that whilst <IR> is still in its infancy, entities <IR> systems and processes will not be sufficient to support assurance, whatever the cost. Entities which are beginning the process of producing an integrated report may benefit more from targeted assurance over processes or from advisory services.

In the long term, in line with <IR> developments, assurance methodologies will evolve, practitioners will continue to develop skills and expertise, and a consistent approach between practitioners will be achieved. Assurance on <IR> will become an increasingly viable option.

**Q7. If so, what needs to be done, and by whom, to maximise the net benefits of assurance?**

Firstly, the development of training for assurance practitioners will be essential to enable them to perform assurance on <IR> engagements efficiently and effectively. Secondly, increased prevalence of <IR> and assurance on <IR> will provide the economies of scale to make assurance on <IR> a viable service offering, which in turn provides the opportunity for certain practitioners to become specialists in this area of assurance.

**Q8. Should assurance standard setters develop either or both of (a) a new assurance standard; and (b) guidance, to ensure consistency of approach to such issues?**

We do not favour further assurance standards being developed specifically for the purpose of <IR> until there is more maturity and uniformity in the form and content of integrated reports and processes within entities. Rather, we consider that any assurance engagement should be conducted in accordance with the existing assurance framework and standards issued by the International Auditing and Assurance Standards Board (IAASB).

The principles to apply in assurance on <IR> are the same as those established in the existing assurance standards, by way of example; ISAE 3000 covers non-financial information. However, more detailed guidance on how to apply these principles to <IR> would be well received and would assist with ensuring a consistent approach is taken to assurance on <IR>.

We believe the best initial approach is for guidance for practitioners that is based on existing assurance principles and standards. Standards can be developed when <IR> processes and reporting become more frequent or mature.

**Q9. Should any such standard/guidance be specific to <IR>, or should it cover topics that are also relevant to other forms of reporting and assurance, e.g. should a standard/guidance on assuring narrative information, either in an integrated report or elsewhere, be developed?**

In the short to medium term, we note that the IAASB has an Innovation Working Group that is exploring emerging developments in assurance, including assurance on <IR>. We encourage the IIRC to work with the IAASB in the development of, initially, guidance or application material on how assurance standards are relevant to assurance on particular aspects of <IR> information.

In the long term, as <IR> evolves and the <IR> Framework is further advanced, the development of a subject matter specific standard that sits underneath the umbrella standard ISAE 3000 in the assurance framework may be necessary.

**Q10. What are the (a) key challenges and (b) proposed approaches that assurance standard setters should consider with respect to:**

- **Materiality?**
- **The reporting boundary?**
- **Connectivity?**
- **Completeness?**
- **Narrative reporting and future-orientated information?**

We consider that the key challenges and proposed approaches that assurance standard setters should consider in relation to the above aspects are set out comprehensively in the paper. We have not identified any additional key challenges and proposed approaches, but our view on each is set out below.

**Materiality**

The existing assurance standards currently provide some direction on how to evaluate qualitative information, but it is not extensive. Therefore additional guidance will help address some of the challenges that assurance practitioners already face in this area. By way of example; setting materiality for qualitative information or data that is not monetary using measures other than traditional monetary levels. Furthermore, to clarify the nature of potential

misstatements in an integrated report, guidance could include illustrative examples of qualitative information that could be materially misstated.

In the assurance framework, materiality is defined with reference to whether such information could reasonably be expected to influence the economic decisions of users. Whilst this concept also applies to qualitative information, the application of the concept in the context of assurance on <IR> is relatively undeveloped. Therefore, in order to determine materiality for <IR> information, it is essential to understand who the users are of integrated reports and why this information is important to them.

Users will vary for different entities or industries. There will not be a standard group of users for all integrated reports and this may add to the complexity of each assurance engagement. In relation to setting assurance standards, we do not believe that materiality, for example, can be set generically in a standard. Rather, the guidance or standard should set out the procedures the practitioner would have to undertake to identify the users, understand their needs and therefore judge an appropriate materiality level for that engagement.

### **The reporting boundary**

A major consideration for assurance practitioners is their own legal liability because the principle-based assurance standards require a high level of professional judgement. An integrated report does not have clearly established boundaries, and much of what is included in an integrated report is qualitative rather than quantitative. The content of an integrated report would be more open to subjectivity which raises a range of issues for assurance practitioners seeking to corroborate the <IR> information.

Therefore we believe an appropriate scope for the <IR> information must avoid placing an open-ended obligation on the assurance practitioner.

### **Connectivity**

We observe some overlap here with the challenges raised around the reporting boundary. The scope of the assurance engagement in this regard should be restricted to the content of the integrated report itself, which renounces the assurance practitioner's obligation for 'linked' information.

On the basis that the external financial statement auditor also undertakes assurance over the integrated report, it would be beneficial to link the two engagements together to avoid duplication of work effort.

Preparers of integrated reports in Australia and New Zealand do not necessarily foresee <IR> reaching a point where the statutory financial statements are included within the integrated report due to the length and complexity involved. However, if this were the case, any guidance or standard would need to include the need for a clear and concise assurance report that specifies the scope, boundaries and levels of assurance over the different components of the integrated report.

### **Completeness**

The content of an integrated report will be tailored so that it is specifically relevant to the entity; therefore integrated reports are likely to vary significantly. This gives rise to difficulties with obtaining sufficient evidence regarding the completeness of the integrated report and may mean that assurance over completeness is not practical. For this reason, the assurance practitioner should be responsible for assurance on the <IR> information that is reported by management, not for assessing whether the integrated report is complete. It is those charged with governance of the entity that are responsible for the preparation and presentation of the integrated report, and therefore its completeness.

### **Narrative reporting and future-orientated information**

The nature of narrative and future-orientated information is such that it is inherently uncertain. It would be important to first establish the conceptual basis for reporting on narrative and future-orientated information.

We note that currently for future-oriented financial information such as prospectuses, most jurisdictions have safe harbour type protections for directors. Without similar provisions, it is unlikely that integrated report preparers will want to include future-orientated information due to their own legal liability.

### **Q11. What other technical issues, if any, specific to <IR> should be addressed by assurance standard setters?**

We have no other technical issues specific to <IR> to raise.

### **Q12. What are the (a) key challenges; and (b) proposed approaches that assurance standard setters should consider with respect to:**

- Reasonable assurance?
- Limited assurance?
- Hybrid engagements?
- Agreed-upon-procedures?
- Other approaches?

### **Reasonable and limited assurance**

Until there is more maturity and uniformity in the form and content of integrated reports, it is not feasible to be able to offer holistic reasonable assurance although we believe this is the ultimate aim. <IR> practices will develop as entities' processes mature and as they are able to produce integrated reports in accordance with the <IR> Framework. The level of assurance achievable will likely change over time in line with the evolution of such practices.

### **Q13. What are the (a) key challenges; and (b) proposed approaches that should be considered, and by whom, to ensure assurance on <IR> pays due regard to other assurance processes?**

Australia and New Zealand have developed a standard for assurance on controls which could be useful in the context of <IR>. There is no international equivalent of this standard. Therefore when looking to the existing assurance framework and standards, there is no need to be restricted to those issued at an international level. We commend the Australian and New Zealand standards for consideration.

It may also be useful to commission research to analyse and understand different users of various entity or industry integrated reports, and what their differing needs may be. Assurance standards will need to recognise that there is not one homogeneous group of users and so more judgement, and documentation of that judgement, will be necessary in relation to understanding the specific needs of users for any particular engagement.