

December 1, 2014

The International Integrated Reporting Council (IIRC)

By email: assurance@theiirc.org

ASSURANCE ON <IR>: AN INTRODUCTION TO THE DISCUSSION

Dear Sir/Madam:

The International Federation of Accountants (IFAC) values the opportunity to comment on the IIRC's discussion paper, *Assurance on <IR>: An Introduction to the Discussion*.

Through its current membership of over 175 professional accountancy organizations in 130 countries and jurisdictions, IFAC represents approximately 2.5 million accountants in public practice, industry and commerce, government, and education.

IFAC is a very strong supporter of integrated reporting and has been since the inception of integrated reporting several years ago. It is encouraging to see the growing interest and strong support for integrated reporting that is becoming more evident around the world.

In addition to providing resources to the IIRC as part of the Memorandum of Understanding between IFAC and the IIRC, and being represented on the IIRC Board and Council, IFAC has consistently spoken out on the importance of integrated reporting in transforming the corporate reporting landscape and enhancing the quality and decision-usefulness of information provided by organizations to their stakeholders.

In this regard, each year since 2011 IFAC has included in its submission to the G-20 Leaders' Summit a recommendation that the G-20 formally signal its support for the work being undertaken by the IIRC to develop a globally accepted framework for integrated reporting.¹

General Comments on *Assurance on <IR>*

To assist in decision-making, management, providers of financial capital, and other key stakeholders need confidence that they have a clear, reliable, and—to the extent possible—accurate view of the operations, performance and results, and forward-looking information, prepared and furnished by organizations. For management and those charged with governance (e.g., boards of directors) clear and reliable information is critical for overseeing and directing operations; for other key stakeholders it informs important decision-making about interactions and relationships with the organization (e.g., whether to invest or become a customer or supplier).

¹ Refer to the IFAC [website](http://www.ifac.org)



Assurance of this published information assists in enhancing its credibility. However, IFAC notes that currently the level of demand for assurance on integrated reporting is yet to be fully assessed and determined.

IFAC's position on assurance on broad-based organizational reporting (which includes integrated reporting) is outlined in Policy Position Paper 8, [Enhancing Organizational Reporting](#). IFAC is of the view that broad-based organizational reporting:

should be undertaken in accordance with robust international reporting frameworks, and that such reporting should be subjected to an assurance engagement in accordance with high-quality international assurance standards. Therefore, it is important that frameworks for organizational reporting are developed in a manner that provides suitable criteria against which preparers can determine the content of the report and assurance conclusions can be provided by assurance professionals.

Furthermore:

independent assurance enhances users' confidence in the information being provided. It can also assist organizations in developing their systems and processes to provide high-quality organizational reporting. This may be especially important in the formative years of such reporting, as preparers' and users' confidence in the information being reported continues to grow.

Questions in the Discussion Paper

IFAC has chosen not to respond separately to each of the questions detailed in the discussion paper. Instead, it offers the following comments relevant to the development of a robust and appropriate assurance framework for integrated reporting.

The matters raised in the IIRC discussion paper appear to hone in on many of the relevant issues that need to be considered and debated. It is an important document for advancing critical issues on assurance and generating discussion and debate on matters such as: the availability of current standards that can be used to provide assurance on integrated reporting; the levels of assurance that would be appropriate; whether assurance is required on the preparation of the integrated report itself; and a number of more technical issues.

However, while innovation in thinking about integrated reporting assurance is appropriate—including questioning some of the fundamental tenets and key concepts of assurance—IFAC recognizes the need to ensure that assurance arrangements are credible and have legitimacy. To this end, it is important that standards and guidance be anchored in existing structures, arrangements, and standard setting that is globally recognized and accepted.

Furthermore, integrated reporting includes financial information on which assurance may have already been provided—indeed, in many situations such assurance on financial information may have been mandated. Consequently, there seems to be considerable potential benefit from ensuring consistency in assurance arrangements (to the extent possible) between the assurance provided on financial information and assurance provided on integrated reporting.



Therefore, IFAC believes it is important for any standards and guidance development to be undertaken by the International Auditing and Assurance Standards Board (IAASB), within the framework of, and consistent with, international assurance standards and the IAASB's other pronouncements.

International standards and guidance issued by the IAASB outline ethical, competency, and quality control requirements for a high quality assurance engagement, and make clear what is expected of assurance providers. They do not specify that the assurance provider must be a professional accountant,² and hence, given the broad context in which they are written, address potential questions about who might be expected to be able to provide assurance on integrated reporting.

Additionally, IFAC:

- Recognizes the important role that all of those involved in the reporting process play in ensuring the quality of integrated reporting. It is therefore critical that users of integrated reports do not view the assurance provider as being solely responsible for the quality of the integrated report, and do not rely solely on the assurance provider to ensure the veracity and accuracy of the information being provided. The points raised in the discussion paper at paragraphs 3.9-3.11—referring to organizational leadership, internal systems and internal audit, and stakeholder involvement—are therefore essential elements of any discussion about the credibility of reporting and hence, the validity of assurance on integrated reporting.
- Recognizes that in any analysis of the costs and benefits of developing assurance arrangements it is important to consider the relationship between the availability of assurance on integrated reporting and the increased use of integrated reporting. That is, it is possible that the availability of appropriate assurance might lead to greater adoption and use of the integrated reporting framework. Alternatively, it may not be until integrated reporting has been in existence for several more years that assurance might be demanded or required. Important questions about the urgency with which assurance arrangements need to be developed and put in place, as well as questions about relevant subject matter and the scope of the assurance engagement cannot really be addressed until these demand issues have been considered.

Development of Assurance on <IR> by the IAASB

IFAC encourages the IAASB, as a matter of priority, to focus on assessing the demand and need for and developing—as required and appropriate—pronouncements relevant to the provision of assurance on integrated reporting.

As noted earlier, IFAC believes that the IAASB is the appropriate body for developing international standards for assurance and other types of pronouncements on integrated reporting, as the IAASB has in place a robust due process and oversight arrangements to ensure that any promulgated standards and guidance have the credibility, legitimacy, and hence global acceptance, they require.

² For example, refer to paragraph 4 of International Standard on Assurance Engagement (ISAE) 3000 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*



Much of the information that is detailed in the IIRC discussion paper appears to be pertinent for potential use by and work of the IAASB in assessing the demand and need for, and subsequently in developing appropriate guidance material to supplement existing standards or an appropriate separate standard(s) for assurance on integrated reporting. As with the IAASB's other standards and pronouncements, IFAC believes that it is important that any new pronouncements are sufficiently principles-based as to be capable of being applied in a manner proportionate with the size and complexity of an entity undertaking integrated reporting.

IFAC draws your attention to the integrated reporting working group that the IAASB has established. In addition, the IAASB's 2015-2016 work plan includes the preparation of an IAASB discussion paper on integrated reporting. Currently the discussion paper is expected to be developed in 2015.

IFAC encourages the IIRC to continue to refine and develop integrated reporting by monitoring the practical application of the integrated reporting framework and by working together with the IAASB to identify and develop appropriate and responsive assurance standards that will serve to increase confidence in, and enhance the use of, integrated reporting.

Please do not hesitate to contact me if you have any questions, or require further clarification of the comments provided.

Regards,

A handwritten signature in black ink, appearing to read 'Faye Choudhury', written over a light grey rectangular background.

Faye Choudhury
Chief Executive Officer

Cc: Professor Arnold Schilder, Chairman of the International Audit and Assurance Standards Board
Mr. James Gunn, Managing Director, Professional Standards