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Dear Mr Druckman

## **Assurance on <IR>: An Introduction to the Discussion**

The CFO Forum welcomes the opportunity to share its perspectives in relation to questions raised in the above-mentioned Paper issued by the IIRC.

The CFO Forum is a high-level discussion group formed and attended by the Chief Financial Officers of major JSE listed and larger state-owned companies in South Africa. Many of these entities have substantial business interests across the African continent and can be seen as pan-African enterprises. Its aim is to influence the development of financial reporting, policy and regulatory developments for enterprises on behalf of its members, who represent a significant part of the South African industry. The CFO Forum was created in 2011.

We support the IIRC's goal to expand the scope of corporate reporting by encouraging organizations to communicate value creation through integrated reporting through adoption of the <IR> Framework (Framework).

As you are aware listed entities in South Africa are at present among the most experienced group of preparers of integrated reports in this country. Further, in 2014 the Johannesburg Stock Exchange (JSE) endorsed the IIRC Framework for integrated reporting by JSE-listed entities on a prospective basis. The collective experience and insights of the CFOs of South African listed entities places this group in a unique position to contribute valuable insights on implementation of integrated reporting, and integrated reporting methodology. We hope that the IIRC will find our comments and responses provided in this submission useful given our experience.

### **General Comments**

At the outset we wish to emphasize a number of key points we believe are of overriding importance for orientation of the global discussion of assurance on IR. We have set these out below – and we have also cross-referenced our responses to the specific questions to these general comments.



1. The <IR> Framework recognises that the approach to integrated reports varies considerably between different companies (most notably, content as informed by the concept of materiality, differs across industries) and that any assurance framework under which they are prepared must strike a balance between flexibility and prescription.
2. The <IR> Framework is principles-based and does not include detailed guidance regarding recognition/de-recognition and measurement of the required content elements at a level equivalent to other reporting frameworks, such as IFRS (International Financial Reporting Standards). More detailed (and prescriptive) guidance would be required for the comprehensive external assurance of integrated reports. Consideration would need to be given to the development of standards relevant to different industries.
3. From the preparer perspective, CFOs in South Africa recognise that investors and financial intermediaries consider the integrated report as part of their inputs when making investment or other decisions. However, in the Forum's experience, the readers of the integrated reports are satisfied with the references to assurance of underlying information, such as audited annual financial statements, and (with limited exceptions, such as special interest groups enquiring on environmental data) have not requested or enquired about further assurance on the integrated reports themselves. Thus the CFO Forum members caution that there may be limited value in obtaining comprehensive external assurance on the integrated report.
4. Further, recognising that the corporate board is ultimately responsible for the integrity and credibility of integrated reports, we believe the entity's board should be the key decision-maker in designing the process an entity applies to ensure the integrity and credibility of the entity's integrated report. Boards may apply a range of processes to achieve that aim, including the use of (or combination of) management's internal controls, its internal audit function and its external auditors ("combined assurance").
5. In the context of developing assurance for the integrated report, we recommend that the IIRC require the corporate boards disclose how they ensure the integrity and credibility of the integrated report, including references to underlying assured information, but leave the exact method of assurance for the corporate board's discretion.
6. Recognising that the key issue under consideration is how to improve credibility and trust in integrated reports/integrated reporting, we consider that current auditing and assurance standards do not offer an appropriate basis for delivering meaningful assurance of non-numerical data in the context of integrated reporting. Accordingly, we do not believe that substantial spend on the role of independent external assurance of integrated reports would serve any meaningful purpose/deliver value for users of integrated reports, particularly in the short to medium term (that is not to say that independent external assurance would not have a role in the future if standards can be developed that are appropriately responsive to the <IR> Framework and/or the <IR> Framework is developed further to allow that to happen).





<p><b>6 &amp; 7</b></p>	<p><b>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?</b></p> <p><b>If so, what needs to be done, and by whom, to maximize the net benefits of assurance?</b></p>	<p><b>No. See our general comments above.</b></p>
<p><b>8</b></p>	<p><b>Should assurance standard setters develop either or both (a) a new assurance standard; (b) guidance, to ensure consistency of approach to such issues (i.e. the methodology issues regarding certain aspects of the assurance process)</b></p>	<p><b>We believe the current auditing and assurance standards do not offer an appropriate basis for delivering meaningful assurance in the context of integrated reporting.</b></p> <p><b>See also the general comments above.</b></p>

Should you have any questions, please contact Richard Farber at [rfarber@discovery.co.za](mailto:rfarber@discovery.co.za)

Yours sincerely

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