Assurance on Integrated Reporting: ICAEW response to IIRC consultation

ICAEW welcomes the opportunity to comment on the consultation paper *Assurance on <IR>: an introduction to the discussion* published by the International Integrated Reporting Council (IIRC) in July 2014, a copy of which is available from this link.

This ICAEW response of 25 November 2014 has been prepared by the Audit and Assurance Faculty and reflects consultation with The Assurance Panel (TAP) and the Technical and Practical Auditing Committee (TPAC).

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MAJOR POINTS

Integrated reporting is still in development

1. The Integrated Reporting <IR> Framework has the potential to be a significant step on the journey towards a solution to achieve coherent and holistic basis for corporate reporting. Currently it is not clear that interest in IR is market-led. It appears to be of more interest to regulators and practitioners than to providers of financial capital and other stakeholders. Without stakeholder demand the value of IRs to companies is compromised, which has implications in itself for the credibility of these reports.

2. We believe that independent external assurance is a vital mechanism for adding credibility to the information included in any report as long as there is demand from relevant stakeholders both for that report and for its assurance. Without market demand, assurance over integrated reporting will be perceived as an unnecessary additional burden and this will diminish its credibility.

3. The effort required of a company's management to create an integrated report is in itself a considerable undertaking. While assurance will add credibility to the resulting report, the extent of effort required and related cost should equally not be underestimated.

A modular approach to assurance

4. The <IR> Framework correctly identifies the move to integrated reporting as a journey. It will require many steps. Collaboration will be required between the company's management, its stakeholders (in particular its providers of financial capital, perhaps through the investment community) and ultimately its assurers. A truly integrated report would bring all six identified capitals into a single unified whole. Once this level of integration has been achieved a single assurance opinion over the whole report might be appropriate. The content covered by this opinion would include the financial capital and therefore encompass what is currently the financial audit. As long as the financial statements are separate from the rest of the annual report and subject to a separate financial audit, the report cannot be described as fully integrated.

5. True integrated reporting is still some distance away. Currently companies are taking a de facto modular approach as they expand their reporting on different capitals. While individual steps are being taken on this journey it will be necessary to develop assurance in line with the emerging and developing needs of the users (and management) through assurance over the latest incremental change. This will be most readily addressed by adopting a modular basis for assurance at the outset to enable individual segments of an integrated report to be assured to varying levels.

6. A modular approach, while pragmatic, will focus assurance on the separate sets of assertions inherent in the data relating to each of the six capitals. In itself it will not advance the development of an assurance approach that will address the assertions specific to the integration of the data, for example, whether, taken together, the data communicates the complete range of factors that materially affect the ability of the organisation to create value over time. Modular assurance is a sensible step on this journey which will enable further work to be done on the integration aspects of assurance.

7. In addition to enabling the assurance journey to start alongside the management journey in developing the integrated report, the modular approach will also enable assurance needs to be refined over a period of years. If the desire then arises to establish a standard that addresses the specific assurance needs of an integrated report, this can be drafted in due course based on practice and experience; standards should follow best practice.

The three lines of defence and the role of internal assurance

8. There is a further angle to this assurance journey. The Board will want (and need) to know that what they are reporting is soundly based and that it is consistently drawn from the company's information systems. The integrated report should be an integral part of running the business and not a one off event each year. The Board will, therefore, need to place considerable emphasis and reliance on the various forms of assurance that they receive during the year to satisfy themselves that this is the case. As a result, the entire governance arrangements including risk management and the assurance reporting mechanisms relied on by the Board should be used. These arrangements should involve an understanding of and analysis against the three lines of defence.

9. When the first two lines of defence (day to day operations and their oversight) are well organised and supported the third line, independent assurance both internal and external, will benefit. This will allow the Board and external assurance providers to place a greater level of reliance on all the other sources of assurance, including internal audit and specialist functions, reducing the cost of external assurance. The journey towards issuing an entire integrated report should therefore also stimulate a wider and keener interest in the existing internal and other assurance mechanisms as well.

A journey guided by the users of assurance

10. In summary, while assurance over a whole IR is feasible, we believe that the best way to reach this end goal will be to encourage companies to work together with their stakeholders and assurers. In the course of the journey technical questions and issues can be addressed as a natural part of each step or stage within the existing framework provided by IFAC and the Assurance Framework.

11. Perhaps what will be of greatest significance will be the role that the providers of financial and other primary stakeholders have in ensuring that whatever is developed by way of assurance best addresses their needs and does not become a regulatory or administrative burden that fails to deliver value; and therefore help to bridge the credibility gap. It is vital that whatever companies might adopt as their integrated report satisfies the most relevant user base and gives them the level of satisfaction that they are seeking. For this reason a continuing wide debate will be necessary to help focus assurance needs for some years to come. More thoughts on the journey towards further assurance can be found in the Audit and Assurance Faculty paper, *The journey: assuring all of the annual report?* and associated *Milestone* papers which address specific challenges.

RESPONSES TO SPECIFIC QUESTIONS

The nature of assurance

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

12. Integrated Reporting is has potential to address the market need for better reporting and transparency that better supports capital allocation decisions. However, the chief market for these reports (identified by the IIRC as the providers of financial capital) is not yet fully engaged in their development.

13. Assurance will add value if it addresses a specific user need. Therefore a continuing dialogue should take place with users to enable a company to determine its own needs (that are likely to be industry specific) and identify the most appropriate means of satisfying them. When considering these needs and the appropriate mechanisms due consideration should also be given to:
    - the Board's continuing needs for assurance over the company's performance; and
    - the use of internal and specialist mechanisms such as internal audit.

14. A useful concept here is the three lines of defence. These can be summarised as:
1. business operations (day to day risk management);
2. internal oversight functions forming part of the operations of finance, HR, and quality departments; and
3. assurance provided by those outside and independent from these departments, including internal audit, external audit, and other forms of external assurance.

All three of these lines of defence are important to ensure credibility and trust in an integrated report.

15. External assurance will be a vital mechanism to add credibility to information included in an integrated report when users seek it at a level that gives them value. In conducting their work the external assurers will inevitably need to draw on whatever other mechanisms and assurance might already exist. It will be essential for assurers to work closely with preparers, and users, to understand both their needs if appropriate assurance solutions are going to be developed.

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

16. In responding to this question we are taking as read the application of good governance, the three lines of defence and the optimum use of internal assurance mechanisms that the Board will inevitably need to address their continuing needs in the business. In the context of the independent assurance needs over the integrated report, some consideration may be needed over the extent to which reliance can be placed on internal mechanisms such as internal audit, as this will determine where external assurance can add the most value.

General features

17. Internally provided assurance can give an objective view, while external assurance can go a step further and provide a fully independent perspective. Both are valuable, but it is particularly important to have independence when looking to establish credibility with external stakeholders. Independence is therefore a key feature of assurance which must not be compromised if assurance is to add value to integrated reports in the years to come.

18. Credibility is also established and maintained by high standards of quality, monitoring and control. There might be superficial success for assurance reports provided by those who have not carried out a proper engagement, or collected sufficient, appropriate evidence to support the conclusion. Over time, however, the weakness of these reports would tend to reduce the credibility of all assurance reports by association. Quality control is therefore a key feature. Those in the accountancy profession have the advantage of an existing quality monitoring system, which is already at its most stringent for those providing assurance in the form of financial audit engagements.

19. Some features which will be particularly important for assurance over integrated reports. It is likely that a fluid and adaptable report format will be needed so that assurance providers can add the most value in areas such as narrative reporting. Identical reports full of boilerplate would be of limited use to stakeholders. Consistency of format is not necessary, but consistency and clarity of language will be vital to ensure that assurance reports can be readily understood and compared.

Technical features

20. Assurance as defined by IFAC in the *International Framework for Assurance Engagement* is a mature concept and well supported by a wide range of standards. The principles provide a robust framework for assurance over a very wide range of subject matters. The main standard for matters other than financial statements, *International Standard for Assurance Engagements*

(ISAE) 3000, has itself been revised in the recent past and is demonstrably used on a wide range of engagements already. The Framework and ISAE 3000 enable different levels of assurance to be provided:

- **Reasonable assurance**: the highest level, similar to the true and fair of an audit; and
- **Limited assurance**: A lower level of assurance but capable of being applied to differing levels depending upon the quality and quantity of evidence collected to support the assurance. This variability should enable a practical response to users' requests for a lower level of assurance over certain specific subjects within the integrated report. It also enables differing levels of assurance to be provided over each module of an integrated report without changing the assurance framework.

21. In the event that it proves to be of value there is an additional option available, defined and enabled by the Assurance Framework, which is a professional view rather than an assurance opinion. Further flexibility can be found by choosing whether to provide assurance over the output (ie, the report itself) or over the process which has led to that output (eg, controls in place to ensure high quality reporting). Reports prepared under the Framework can also take a hybrid or modular format, with different levels of assurance in separate opinions given over different segments of the subject matter.

22. The principles-based nature of the existing standards will allow sections of an IR to be assured to different levels and for this to change year on year as the entity develops its needs along with its stakeholders and the assurer. When assurance is provided over individual modules of an integrated report, these principles require that the assurance provider consider the rest of the report for consistency with those modules.

23. The IFAC Assurance Framework and ISAE 3000 should be used as the relevant assurance standard while companies develop their reports and decide upon assurance needs with their user base. The use of the levels of assurance set out in the Framework will help to maintain consistency in the style and quality of assurance and ensure that the modular approach can in time be combined into a single holistic view over the IR in its entirety. Specialists required to assure certain aspects of an integrated report can be integrated into the assurance team by making use of the existing standards. Dedicated integrated reporting standard(s) can be developed, if needed, once the practice of assurance has developed.

24. Assurance engagements add credibility, but this is only valuable if there is a demand for greater credibility, in the form of independent opinions, over the reports they relate to. A key feature of assurance over integrated reports must be that it adds value for the users of those reports. This will only happen if the assurance reporting itself can be easily understood by users. An important challenge for assurance providers is therefore to find and use simple, clear language to express their assurance opinion. Assurance reports should also be designed to be easy to read and absorb, without boilerplate and potentially with visual clues in the form of diagrams or tables that bring together different modular elements to present an overview.

Competent practitioners

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?

25. Companies should already have in place the relevant skills and expertise necessary to provide the Board with assurance over continuing business activity through its internal governance mechanisms including analysis of risks and related assurances

26. In conducting assurance over the integrated report the assurance provider will already need to have a strong understanding of the business and the nature of its operations. Chartered accountants who provide financial statement audits already work in accordance with:

- strict ethical and independence requirements;
- quality standards, in particular the *International Standard for Quality Control (ISQC) 1*;
- adopting an evidence based approach to their assurance work; and
- the application of professional scepticism and professional judgement.

Therefore in evaluating the IR they will be able to draw on these skills and experience. Similar expectations would be appropriate for all assurance over integrated reports as, ultimately, a fully integrated report should include the financial statements and assurance over integrated reports should therefore encompass the financial audit.

27. We do not envisage the largest accountancy firms experiencing any difficulty in assembling the relevant skills in any jurisdiction. Some assurance practitioners are likely to encounter specialist skills shortages and would need to draw in third parties to supplement their core staff. This is not a new situation as auditors rely on the work of external experts (for example, expert valuations of assets) and it should therefore not create significant difficulties for assurance providers.

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?

28. Independence and ethical behaviour are fundamental to high quality assurance engagements. The quality standards to which assurance work is conducted are, and should remain, the same as those of a financial audit. This reduces the risk of misunderstanding and misinterpretation of the value of the assurance that might be taken.

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29. There should be reference to ISAE 3000 and application of ISQC 1 at any firm that performs audits or external assurance engagements. Audit firms will already experience external quality assurance and apply the Code of Ethics for Professional Accountants, and other providers of assurance over integrated reports should be held to the same standards.

30. The application of these standards and controls (which already exist) over suitably experienced and qualified professionals should enable the needs of the market to be met in the most effective and cost effective manner.

Robust internal systems

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

31. Professional accountants providing non-financial assurance have found that the systems producing non-financial information are generally far less mature than those which contribute to the financial statements.

32. A company will need to recognise that it is setting out on a journey when it starts to develop and obtain assurance over an integrated report. In order to make that journey a success it is vital that the company does not try to set out alone. On the journey it should be accompanied by:
- **Providers of financial capital**: the investors and other stakeholders that it believes will best help the company to understand their information needs and their assurance needs;
- **Assurers**: who can work alongside the debate with the stakeholders to understand the assurance needs and help the company shape to best effect what is deliverable by way of assurance in the short term and long term.

33. The company may already have in place its internal governance systems and three lines of defence. If well organised, it will already be able to map the nature and level of assurance that it receives against each of its material business risks. This suite of internal mechanisms will

also include risk management and internal audit as a basis for providing the Board with continuing assurances.

34. As the range and scope of the integrated report increases the new elements or modules should each be incorporated into this governance and assurance model.

35. We would envisage the quality and strength of the individual internal systems as developing as a part of the reporting journey. They might be subject to internal assurance in order to provide the Board with some form of validation prior to making a decision to seek external assurance. This would include governance, risk management, strategic planning and other elements or modules of the integrated report.

36. The company will need to set out some goals in collaboration with its stakeholders and assurers and to keep them informed. Weaknesses in internal systems that inhibit the robustness of reporting and assurance should not act as a blockage; rather they should become a part of the company's journey towards delivering an integrated report to its users with the right amount of assurance over the right elements at a future date. It would even be appropriate to disclose the state of development and progress towards the end goal.

The cost of assurance

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

37. The cost of assuring a whole integrated report at this time is potentially very high due to a number of factors including: companies' state of readiness, the lack of infrastructure and systems and the lack of familiarity of companies and practitioners with assurance issues over the relevant topics.

38. However, if a company intends to set out on a journey then it can focus its resources and efforts on those topics and matters of greatest interest to its stakeholders and seek assurance over those in the first instance. In this way the cost of assurance should be incremental and can be managed in conjunction with the stakeholders so that, through its continuing debate, the company and its stakeholders might agree when sufficient assurance has been obtained over the key elements of the integrated report of interest to stakeholders. External assurance will be most cost-effective when combined with good internal governance structures, and the ongoing journey towards assurance will feed in to a company's ongoing review and monitoring of those governance structures.

39. As a result it is our view that assurance is likely to be a cost effective mechanism to build trust over the short and medium term. In the long term it is possible that the actual cost of assurance could bring the assurance journey to a halt once the stakeholders' information and reliance needs have been met, without moving from modular to integrated assurance.

40. A further important aspect to consider will be to focus assurance on the matters that the stakeholders most want and need assurance on. In the short and medium term we would expect assurance to focus on selected elements or modules of the integrated report. Limits on the scope of assurance should in itself help to manage the cost.

41. A further and final aspect to consider is the impact of regulatory restrictions on non-audit fees. The financial statement auditor would be best placed to provide integrated report assurance, building on an existing knowledge of the business. It would be of considerable benefit to all parties if the impact of integrated report assurance was to be taken into account by governments and the relevant regulatory bodies.

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

42. If the benefits of assurance are to be realised the company, it providers of financial capital and other stakeholders, and assurers will need to make the same journey:

- **Company**: the company needs to set out on a journey hand in hand with its stakeholders and assurers and be prepared to have an open and honest debate about needs and cost benefits;
- **Stakeholders**: need to determine the relative priority of their needs clearly so as to help the company focus on the important and to understand and differentiate it from the less important;
- **Assurance practitioners**: need to be more forthcoming in offering ways in which they might provide the information, transparency and explanations that stakeholders seek to enable them to have confidence in the integrated report. This will include exploring different ways of reporting and potentially more focused long-form reporting to explain the background to assurance conclusions.

Methodology issues

Issues cited:
- **materiality;**
- **reporting boundary;**
- **connectivity;**
- **narrative reporting; and**
- **future-oriented information.**

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

43. Assurance practitioners are capable of applying their existing knowledge and experience to provide assurance reports over a wide range of subjects including data, narrative and business related information using the existing standards.

44. At the heart of the concept of integrated reporting is a need for integrated thinking. The long term aim of this process is for businesses to be managed more holistically. Before truly integrated reporting emerges a business must go through significant changes to adapt is governance, strategy, operations and behaviours to align with a more suitable business model.

45. Integrated reporting therefore represents a significant journey for a business, and as previously discussed we believe that a single assurance opinion over an integrated report would be inappropriate at this evolutionary phase.

46. For emerging information streams the assurance needs to be appropriate to the stage of development. In some areas, narrative reporting and more subjective opinions may be needed to provide deeper insight. These can be developed in the context of the existing standards for now, although the focus of today's assurance model on concepts such as materiality and/or comparability may need to be revisited in the future.

47. As previously referenced these existing standards include the IFAC Assurance Framework and ISAE 3000 which was designed to wide application. They are all already fit for purpose and capable of being applied to any and all elements of the integrated report, provided that those elements meet the technical requirements of a subject matter for assurance under the IFAC Framework. As experience develops it might be of considerable help and an aid to consistency if a standard were to be tailored to integrated reporting.

48. Such a standard could be developed in due course, but it is vital that assurance over the integrated report should not be put on hold until it is developed because it will only be through experience that the standard can be developed. In the meanwhile the assurance practitioners

should be encouraged to share experiences and to participate in the standard's ultimate development.

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?

49. Integrated reporting is currently at an embryonic stage. We would expect to see considerable variation between the integrated reports produced by different companies, and to see those different companies developing both the reporting and its assurance in different ways. Any guidance produced now would therefore have to be generic enough to cover the complete range of options available for providing assurance of different kinds and levels over different types of information. Existing standards and their application guidance already fill this role at a high level, and could be supplemented by shared examples of best practice. The IIRC could, for example, collect and promote examples of valuable or innovative assurance reports that have been prepared in relation to integrated reports. Accountancy bodies, regulators, and other standard setters could also identify and share good practice. Assurance providers themselves should be encouraged to be open about what has been most effective. Finally, users of integrated reports should be consulted on what they have found to be most understandable and most useful.

50. In the longer term it may be appropriate to develop a standard to cover all the technical aspects of an integrated report including narrative reporting. This could involve guidance on assurance over such matters as:

- assurance of narrative reporting;
- assurance of the high level processes likely to be disclosed;
- specific guidance on sensitive topics such as forecast results; and
- the content and completeness of a report.

51. Given the nature of the integrated report it would be appropriate for a standard to be tailored to its specific needs. It is likely that the material in such a standard would need to include a lot of ideas and concepts that would be of broader use and interest and might also be used to create guidance materials on a broader front. However, this must be seen as a long term prospect at present. Any standard put together in the near future cannot address these issues sufficiently because there has not yet been time for assurance providers to identify best practice with regards to assurance over integrated reports.

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-oriented information?**

Materiality:

52. Materiality can be a relatively complex matter in subjects other than financial statements. In the case of an integrated report it would have application at many stages of an engagement because it would be required when:

- management determine the content of the integrated report;

- individual issues within a subject are evaluated to determine whether or not they are sufficiently significant to include; and
- the conduct of tests to determine potential errors or misstatements in the detail.

53. While experienced assurance practitioners will be able to deal with these complexities, it is a topic that is likely to warrant comment in a tailored standard or in guidance.

54. In the immediate future a part of the resolution will be thorough disclosure by management of the basis they have used to determine what is material to their integrated report.

The reporting boundary

55. The most important aspect of the reporting boundary will be to identify and then address the needs of the users of the report to ensure that the integrated report contains those matters that they regard as being of significance to their purposes. Therefore it will be important to be explicit as to how the boundary has been defined by management. Assurance providers will need to use their professional judgement to determine whether the reporting boundary has been set appropriately (ie, meets the needs of users).

Connectivity and completeness

56. The notion of an IR is that it should be both complete and fully integrated. However, while that may be the desired end goal, it is unlikely to be achieved in the short term. Not least because we suspect that combination of Boards and stakeholders will not yet be clear as to what they expect to include in an integrated report and how they expect to shape and organise the information so that it demonstrates the internal connections.

57. We believe that this is an area that will not have an adverse impact on assurance in the interim when it might be provided over individual modules of an integrated. However, it would potentially impact the shape of the report and any related assurance activity at such time as a fully integrated report is published and assurance sought over the whole report. It should not be assumed that the stage of the journey between multiple modular opinions and an opinion over the whole report is a simple step.

Narrative reporting

58. The tools and techniques necessary for narrative assurance are already well developed, albeit not well known amongst the wider business and assurance community. The ICAEW's practical guide, the *Assurance Sourcebook*, may be a useful reference. Other resources, including case studies and discussions of specific issues in assurance, can be found online at www.icaew.com/assurance.

Future-oriented information

59. The application of ISAE 3400 to profits forecasts and future-oriented information varies widely between countries driven by a range of legal, regulatory and commercial business risk considerations. It is likely that further guidance would be of value in this area at some stage.

60. In developing approaches to assurance over future-oriented information thorough consideration should be given by the standard setters to professional views (as opposed to opinions) in order to manage the risks in certain countries and to help provide a single, consistent platform for integrated report assurance.

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

61. We believe that each element of an integrated report is likely to have its own profile of risk and sensitivity which might impact the nature of any inherent uncertainty and the way professional

judgement needs to be exercised. That is certainly the case with the five elements cited in Question 10.

62. That said there is nothing unique in such matters. The best value could be provided by the assurance setters themselves if in developing the standards (and any guidance) extensive consultation took place. It would need to take account of users' experience with a view to clarifying the nature of any inherent limitations or uncertainties in the assurance they are receiving without the assurance reports being filled with caveats.

Levels of assurance

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 engagements?**

- **Other approaches?**

63. Each company will need to map out its own journey toward an assurance end goal. That end goal will need to reflect the needs of the providers of financial capital and other users of an integrated report. A key challenge for standard setters and assurance providers is to communicate more clearly, whatever level of assurance is being provided. The use of extended audit reports has already prompted audit firms to learn to tone down their technical language and express concepts more effectively.

64. Both reasonable and limited assurance reports over integrated reports are feasible, and a a hybrid report might be appropriate at certain stages on the journey. The users of an integrated report will need to determine how much assurance they might require over various elements of the report and that this may lead to a combination of reasonable and limited assurance requests. While this may satisfy the stakeholders it would leave open a number of risks including:

- failure to attempt reasonable assurance due to management pressures to avoid the subject by citing cost or cost/benefit. It would not be appropriate to default to limited assurance, or agree to perform an agreed upon procedures engagement, to try to circumvent the depth of challenge from reasonable assurance;
- the risk of confusion as to how much assurance might be intended; and
- changes in assurance levels from year to year.

All of these risks been experienced and dealt with by accountants providing assurance over other subject matters, and can be managed.

65. We have specific concerns about the use of agreed-upon-procedures. The nature of such engagements leads to lengthy reports of detail and we would question whether they would add the value that might be desired due to their sheer bulk.

66. The form of reporting is a further area where development should be both encouraged and supported. Experiments are already taking place with providing more detail and explanation in audit reports with a view to informing stakeholders better on the nature of risks that have been managed in forming an audit opinion. Based on the evidence to date, the use of long-form reporting is likely to increase and this should be encouraged when it providers the users with information that they need and value.

67. We would also encourage the use of other means by which the level of assurance might be evaluated by users. This might be particularly important in the short and medium term while individual modules of the integrated report are being assured and to different levels. This would also apply to explanations as to whether it was the description of management's actions, the underlying systems or processes, an outcome or a whole model section that were being assured. Any such information that assisted the stakeholders in forming a view on matters critical to investment decisions should regarded as valuable.

Using existing assurance

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?

68. If a holistic approach is to be adopted for assuring an integrated report, with a single assurance opinion required, then there will be considerable challenges in the early years. Certain elements of an integrated report will be far less developed and potentially much more difficult to assure. However, currently certain data might already be capable of reasonable assurance. The flexibility of a modular approach would allow each company to move at its own pace on the journey towards fully integrated reporting and assurance.

69. While the IIRC might seek, for example, reasonable assurance over the whole report as its end goal, the practicality of such a move needs to be recognised. Assurance will only add value to a report which is valued, and external assurance will be most cost-effective when seen as one part of a company's governance arrangements. In other fields of assurance it has taken a number of years to move from nothing to reasonable assurance, as reporting and internal systems have developed along with the provision of assurance. This entire process will only be useful if it meets the needs of the providers of financial capital and other users of the integrated report.

70. Companies should be given the option of establishing a journey through modular assurance over an appropriate number of years, with the pace set by their stakeholders and other users of the report. In the interim years a combination of limited, reasonable assurances should be regarded as acceptable from a technical point of view. It would the company's responsibility to inform and brief providers of financial capital and other stakeholders on the state of progress.