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Submitted electronically to: [assurance@theiirc.org](mailto:assurance@theiirc.org)

Dear Paul

**Comments on *Assurance on <IR> An Introduction to the Discussion***

The Integrated Reporting Committee (IRC) of South Africa was established in 2010 to develop guidelines on good practice in integrated reporting. The IRC's membership comprises leading organisations in South African business society, including the Association for Savings & Investment South Africa (ASISA), Banking Association South Africa (BASA), Batseta, Business Unity South Africa (BUSU), Chartered Secretaries Southern Africa (CSSA), Financial Services Board (FSB), Institute of Directors in Southern Africa (IoDSA), Institute of Internal Auditors (IIA), Government Employees Pension Fund (GEPF), Johannesburg Stock Exchange (JSE), and the South African Institute of Chartered Accountants (SAICA).

It should be noted that some of the members of the IRC and its Working Group participated in the IIRC's Assurance Technical Collaboration Group, led by the Independent Regulatory Board of Auditors (IRBA) in South Africa, which developed the IIRC paper *Assurance on <IR> An Exploration of Issues*.

The IRC commends the IIRC with furthering the debate on assurance on integrated reporting as part of its global leadership in integrated reporting. We appreciate the opportunity to respond to the questions posed in the paper *Assurance on <IR> An Introduction to the Discussion*. Our response reflects the views and practical implementation challenges expressed by members of the IRC and its Working Group, which includes preparers, regulators, academics, consultants, users and assurance providers, and is set out below.

**Comments on Assurance on <IR> An Introduction to the Discussion**

If further clarity is required on any of our comments please contact Leigh Roberts, the chairman of the IRC Working Group, at [leighr@saica.co.za](mailto:leighr@saica.co.za), or phone on direct line: +27 11 621 6937.

Yours sincerely

A handwritten signature in blue ink that reads "Mervyn King". The signature is written in a cursive style with a long, sweeping underline.

**Professor Mervyn King  
Chairman  
Integrated Reporting Committee of South Africa**

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

Assurance is a priority to enhance the credibility of an integrated report, it is, however, only one of various mechanisms that an organisation can use to enhance credibility and trust in its integrated report which is a mainstream report of the organisation.

It may be necessary to think differently about the nature and form of assurance that may be provided on an integrated report, by whom, and to whom, given the wide divergence in integrated reporting processes and content of information disclosed in integrated reports of different organisations. An over-emphasis on assurance of the integrated report could result in preparers reporting only on matters on which external assurance can be obtained, rather than focusing on the completeness of information included in the report. Preparers will have to be vigilant in applying the International <IR> Framework's guiding principle of completeness when preparing reports.

An organisation's board may seek to obtain assurance to substantiate that the process resulting in information contained in the integrated report is credible and not misleading whether intentionally or otherwise. It may be considered necessary by board members to obtain assurance which might be from various sources, such as auditors, sustainability assurance providers, engineers, internal auditors, ISO compliance reports, etc.

It may also be the case that some users could view assurance as a differentiator between an organisation's marketing information and its corporate reporting.

It is important to seek the investor view of assurance on the integrated report. Will assurance give the integrated report "investment grade" status as a key input for making investment decisions, and which other mechanisms can add to credibility and trust? Failure to provide assurance of information in the integrated report mitigates against broader acceptance by investors.

The underlying purpose of integrated reporting is to embed integrated thinking within mainstream business practice with the aim of promoting efficient capital allocation that will act as a force for financial stability and sustainability. Assurance may aid management's assessment of the progress made by the organisation in this regard.

While external assurance procedures may be useful in contributing to improved internal systems (which has obvious benefits in terms of enhancing the robustness of information reported), a lack of appropriate international direction may result in inconsistent approaches by assurance providers as well as different forms of assurance reports, which may affect the credibility of the assurance provided.

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

**Consistent measurement or evaluation and appropriate evidence:**

- The identification of appropriate underlying subject matter information and suitability of criteria in an integrated report, capable of consistent measurement or evaluation, and which enables the application of assurance procedures to obtain sufficient appropriate evidence to express a reasonable or limited (or other) conclusion. The concern over completeness as raised in Q1 is applicable here, and more specifically that the need for the presentation of information capable of being assured could incorrectly drive the content of the integrated report.

**International assurance direction:**

- There is a need for international guidance or standards that may be consistently applied by assurance providers. International standard-setters, such as the IAASB and relevant others, could develop guidance on the nature and form of assurance on both the integrated report and its processes.
- Assurance providers should have appropriate qualifications and the necessary competence. Failure to do so may pose reputational risk to assurance providers of integrated reports.
- Organisations may focus the work of their internal audit teams to provide assurance on the integrated report content and its processes, and this should be considered in the overall assurance approach adopted by the organisation. The Institute of Internal Auditors could develop guidance for internal auditors providing assurance in this area.

**Assurance adaptability:**

- Flexibility is needed, specifically in the nature and level of assurance and what intended users understand that to mean and whether the assurance expressed does in fact provide the desired credibility and enhances trust in an integrated report and to whom.

**A multi-disciplinary expertise:**

- Members of an assurance team should have the necessary technical expertise to deal with the variety and range of information that may be reflected in an integrated report demonstrating the value creation ability of the organisation. It is possible that an organisation could utilise a variety of assurance teams and mechanisms.
- The new area of assurance on the integrated report may necessitate thinking differently about the nature and form of assurance that may be provided and by whom.

**Materiality assessment:**

- Given its importance, there should be assurance on the process to identify the organisation's disclosed material issues, as well as the credibility of the material issues included in terms of completeness. A robust process can assist in deciding what information is to be assured.

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

There is a well-developed and highly respected auditing and assurance profession in South Africa with skilled and experienced practitioners. Traditional auditing and assurance skills and capacity are grounded mainly in measuring financial capital and largely over the short term, however, the interest in and application of sustainability assurance in South Africa has ensured that multi-disciplinary assurance teams are employed in the larger accounting firms but also that some organisations work with a range of assurance providers in achieving assurance over a range of disclosures. Diversified skills are required to provide assurance over the integrated reporting process and report.

While the accounting firms make up the bulk of the service providers in South Africa, increasingly other specialist large, medium and small boutique firms are offering assurance services, mainly in regard to sustainability and are expanding into assurance on integrated reporting as well.

The new area of assurance on the integrated report may necessitate thinking differently about the nature and form of assurance that may be provided and by whom.

*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?*

Clear assurance guidance or standards need to be developed and issued by international standard-setters, such as the IAASB and relevant others, in addition to existing standards and quality control requirements and professional ethics.

In the words of the executive of a leading South African bank: "A clear guideline on what the assurance teams are to examine or what they should be aiming for would be helpful".

Internal audit is likely to be a crucial part of an organisation's integrated assurance approach. The Institute of Internal Auditors should develop international guidance for internal auditors providing assurance to an organisation's board in respect of integrated report content and integrated reporting processes and this should preferably have regard to the efforts of the IAASB and others.

As an added quality measure, organisations requesting assurance could be held accountable for ensuring the selection of appropriate providers.

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

While the robustness of internal systems differs among organisations, generally speaking, internal systems and controls can be a challenge for new preparers due to the relative immaturity of processes for capturing, collation, and reporting of “non-financial” information. Ad hoc reporting systems can result in information that is incomplete and/or measured on an inconsistent basis.

The controls and processes applied within mature reporting systems, could be considered for appropriate replication across all the reporting processes that support the content of an integrated report. Internal audit has a role to play in advising on systems, controls, and review processes. Internal systems will also benefit from external assurance scrutiny which will help the organisation enhance or improve its systems.

The chief financial officer of a large financial services company in South Africa has stated that once the responsibility for “non-financial” reporting systems came to the finance function the level of controls and data integrity generally increased.

Some organisations in South Africa have applied the following in improving internal systems:

- Investing in an adequate data management and reporting system staffed by dedicated resources
- Adoption of control frameworks to enhance the control environment
- Fit for purpose structures

*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?*

In some quarters there appears to be a perception that external assurance is expensive and of limited value, while in others there is demand for assurance as a measure to increase the credibility of information reported in the integrated report.

An integrated assurance approach that relies both on internal audit and external assurance providers can be part of cost-effective planning. Being cost effective should be seen as more than the financial cost of obtaining assurance as reliable internal systems are important to implementing strategy and integrated thinking, as well as more informed decision-making which may achieve broader cost efficiencies across the organisation.

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

Further to the above, there should be research and concerted effort by the relevant international standard-setters to understand the implications of the changes brought about by integrated reporting and to develop the disciplines and tools necessary to ensure responsible reporting and cost-effective internal and external assurance responses.

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There should be information sharing by those providers already offering assurance on integrated reports. What existing guidance/ standards are they using, and what do the organisations view as cost beneficial? This will contribute to the skills set and experience among all assurance providers in dealing with integrated information and offer considerations for organisations to develop the robust processes needed.

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

Market demand and timing are likely to influence the decision. If guidance is developed initially it will be useful in the short term and could result in greater consistency of approach to the relevant assurance procedures and the nature of written conclusions. Limitations (on both procedures and assurance constraints) should be clarified.

Development of new assurance standard/s will ensure consistency, but could take considerable time to achieve.

Development could draw from the established body of knowledge on assurance methodologies contained in existing standards of national and international standard-setters and regulators, and consideration given as to whether it can be adapted to address specific integrated reporting issues. Consideration is also needed as to whether the application of the IAASB's existing standards *International Framework for Assurance Engagements* and ISAE 3000 (Revised) *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* will be suitable if supplemented with an integrated reporting subject-specific standard. Similarly, the relevant internal audit guidance should be considered, IIA Practice Guide on *Reliance by Internal Audit on other Assurance Providers* (December 2011) and *Integrated auditing* (July 2012).

**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?*

While more research and detailed studies are needed, in the case of external assurance a subject-specific standard on integrated reporting and the integrated report could be appropriate for the reasons cited below.

Firstly, the *International <IR> Framework* establishes guiding principles and content elements that govern the overall content of an integrated report, but without providing specific recognition, measurement and disclosure requirements. This gives rise to an expectation that assurance providers provide assurance based on their individual judgement as to whether the "completeness" of the integrated report indeed reflects the organisation's ability to create value.

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Secondly, assurance on integrated reports goes beyond the current revised ISA 720 document *The Auditor's Responsibilities Relating to Other Information in Documents Containing Audited Financial Statements* when reporting on other information presented as narrative information. Some of the principles may be relevant to a subject-specific standard dealing with assurance on integrated reports. However, integrated reports may not necessarily be published as other information in 'Documents Containing Audited Financial Statements'.

Thirdly, subject-specific guidance may be appropriate given the increasing prominence of the integrated report.

*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?*

Such technical issues are well articulated in the IIRC paper *Assurance on <IR> An Exploration of Issues*. Any international or national assurance standard-setter which undertakes the preparation of guidance or standard for assurance on integrated reports or processes should consider these.

The assurance of future-oriented information is an area that needs to be carefully considered with a view as to what extent of assurance is possible and whether a different level of assurance is applied to that for historical information. In the words of one IRC member "assurance on aspects related to the future of the organisation is going to be an opinion on an opinion".

We understand that the IAASB has established an Integrated Reporting Working Group that is responsible for engaging with various stakeholders, including the IIRC, and making recommendations to the IAASB in regard to possible assurance developments. We support these initiatives and urge the IIRC to encourage the IAASB to proceed expeditiously with development of appropriate guidance or standards that may be applied globally.

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

The technical issues are well articulated in the IIRC paper *Assurance on <IR> An Exploration of Issues*. In addition:

- Various levels of assurance over the integrated reporting process could be considered. For instance, Level 1 - is data correct and reliable; Level 2 - can it be compared and is the measure /issue usually reported in a particular industry, does it indicate what the organisation claims it indicates; and Level 3 – process assurance (and considering whether or not the underlying operations are in alignment with reporting).



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- The report audience should be considered: does it need to be specified as to whom the report is addressed or for what purpose the integrated report is prepared? What happens when the report is addressed to all specified key stakeholders, does this affect the assurance process and if so is even greater reliance on the internal audit function acceptable.
- How the reports of assurance providers are included in the integrated report is an issue for review bearing in mind the need to assist users to understand what has been assured and at what level. The variations to consider include: different assurance providers provide their own reports with an assurance summary, and one report that includes reference to the work of other experts (including internal audit).
- Competency requirements for members of oversight committees, such as audit committees, may be considered by the relevant professional bodies.

*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?*

An integrated assurance approach may circumvent the need, and appropriateness, of such traditional external assurance levels as reasonable and limited. Further work is needed on approaches to maximise and enhance efficiencies between internal and external assurance, and of how this relates to the traditional assurance opinions.

Appendix 1 of the IIRC paper *Assurance on <IR> An Exploration of Issues* provides a useful and comprehensive analysis of available standards that offers a starting point for the development of subject-specific guidance.

If consideration is given to the traditional levels of assurance, it is noted that the level selected by organisations will depend on whether they are accustomed to having “non-financial” issues assured and whether their data and representation is robust. Further, a challenge will be to determine which is most appropriate: assurance on different elements of an integrated report’s content and/or the integrated reporting process. This will be informed by the intended purpose of the assurance and whether the conclusions are expressed for internal or external users.

A more descriptive assurance report than the traditional report may be more appropriate for integrated reporting. A combination of reports is also possible for different aspects of an integrated reporting assurance engagement.

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*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?*

An integrated assurance process may include internal auditors' findings which rely on the independence, real and perceived, of the head of internal audit in the organisation or on the external providers of outsourced internal audit services.

It should be noted that some auditors and other assurance providers are already engaging with clients seeking assurance over integrated reporting processes and/ or selected integrated report content and are finding innovative ways to communicate such assurance.