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Mr Paul Druckman
Chief Executive Officer
International Integrated Reporting Council
29 Lincoln's Inn Fields
London
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United Kingdom

Dear Mr Druckman

Assurance on <IR>

Crowe Horwath International is delighted to present a comment letter on the papers *Assurance on <IR>: an introduction to the discussion* and *Assurance on <IR>: an exploration of issues*. Crowe Horwath International is a leading global network of independent audit and advisory firms, represented in some 118 countries.

We welcome the papers issued by the IIRC, and agree with the IIRC that independent assurance is important for the long-term credibility of integrated reports. The International Auditing & Assurance Standards Board (IAASB) has included information gathering to inform future work relating to integrated reporting in its 2015-2016 work plan (published in September 2014). The results of this consultation exercise by the IIRC present an opportunity to assist the IAASB with information gathering and the development of standards or guidance for giving assurance on integrated reports.

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

For <IR> to be credible for use by stakeholders, then assurance is required. As the <IR> framework is now in place and increasingly being applied, then a priority should be given to developing an approach for giving assurance on <IR>.

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

The essential characteristics of assurance, suitable for the users of integrated reports include:

- The ability to appraise the reasonability of non-financial disclosures;
- The capacity to understand the connection between the non-financial performance with the financial outputs and outcomes; and
- The ability to provide users not only with a fair and trustable view, but also a meaningful set of outcomes from the assurance procedures to make the assurance report usable for decision making.

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?

We consider that suitably skilled and experienced assurance practitioners are available to perform assurance on <IR>.

We recognise that assurance practitioners may need to adapt their approach and develop new skills to enable them to perform assurance engagements on integrated reports. This is because giving assurance on <IR> involves considering non-financial and strategic disclosures. However, assurance practice is evolving and assurance practitioners are adapting their skills to present the new forms of reports that will be required following changes to the IAASB's reporting standards and the issue of the IAASB's revised ISA 720 on the consideration of other information.

Therefore, the combination of training and experience arising from the evolving approach to assurance will address this.

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?

The development of guidance on the conduct of <IR> reporting engagements is important. The existence of guidance will determine an expectation of the quality required for an <IR> reporting engagement.

We consider that the International Audit & Assurance Standards Board (IAASB) is best qualified to develop guidance for the conduct of <IR> assurance engagements. The guidance can form part of the IAASB's existing suite of materials for the conduct of review and other assurance engagements. In preparing the guidance the IAASB should consider how the principles contained in their *Framework for Audit Quality* be adapted to an <IR> assurance engagement. Practitioners who perform <IR> assurance engagements should be subject to the IAASB's quality control standard ISQC 1 and IESBA's *Code of Ethics*. ISQC 1 specifies that assurance practitioners should receive appropriate education, meaning that practitioners performing <IR> engagements should receive both initial training and continuing professional education.

The quality of <IR> assurance engagements will be subject to monitoring by the assurance firm, as required by ISQC 1 and in some jurisdictions will fall within the scope of external monitoring of the assurance practice by professional bodies or independent regulators.

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

This will be a problem for some entities that choose to present integrated reports. This is because the information published in non-financial reports is often produced ad-hoc, independent of the principal business systems, and consequently is may not be subject to the reporting entity's normal system of control and oversight.

From our experience, in some companies environmental information has good supporting systems but other processes relevant to <IR> are still under development. Narrative disclosures required for <IR> may not always be supported by robust evidence.

Developing internal systems is clearly a responsibility for the company. However, a company seeking to obtain assurance on its integrated report should work with its assurance provider to develop its systems such that the assurance provider can give assurance. An early dialogue between company and provider is essential, with the assurance provider clearly settings its expectations. Feedback from the assurance provider at the conclusion of the engagement is critical to help the company lean and develop both its systems and approach to reporting.

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?

Assurance is a mechanism to ensure credibility and trust, but it will be very dependant on the planning process and the materiality appraisal.

The cost of assurance should be viewed as an investment to validate the quality of information influencing corporate decisions. As <IR> involves reporting on the delivery of the company's strategy, assurance provides an independent opinion on the company's reporting. <IR> is a relatively new concept and assurance will assist with the concept gaining in recognition.

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

Stakeholders have to be made aware that integrated reports have been subject to assurance, and they need to know of the nature of the assurance.

Many parties have a responsibility to promote the benefits of assurance. This includes companies, assurance providers, standard setters and the IIRC and its supporters. There has to be a dialogue with stakeholders to assist them in understanding and making use of reports that are the subject of assurance. For example, institutional investors and credit rating agencies are still in the early stages of applying integrated reports.

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

The IAASB has included information gathering to inform future work relating to integrated reporting in its 2015-2016 work plan (published in September 2014). We welcome this as the information gathering will assist the IAASB in determining the nature of the guidance required to support the conduct of <IR> assurance engagements. The guidance might concern the application of existing IAASB pronouncements or it might result in the issue of a separate pronouncement concerned with giving assurance on <IR>. We encourage the IIRC to support and promote the IAASB's forthcoming information gathering.

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?

This is a case for developing a standard / guidance specific to <IR>.

The forthcoming information gathering by the IAASB will enable a discussion to take place regarding the scope of existing pronouncements and the scope of any new pronouncements that might be developed. It should be noted that the IAASB is due to issue soon a revised ISA 720, which addresses other information presented with financial statements.

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?**

	Key Challenges	Proposed Approaches
Materiality.	Harmonise the different concepts of materiality. They are considerably different between the financial and non-financial standards and norms.	The assurance provider shall identify and provide an examination of the process applied, instead of building its materiality appraisal. The opinion shall be based on the reasonability of the procedure instead of the results of the materiality analysis.
Reporting boundary.	Identify material impacts beyond the corporate borders (e.g., risks in the supply chain).	Procedures for identifying relevant stakeholders and stakeholder engagement activities during the process of defining materiality and report content.
Connectivity.	Integrated thinking as standard practice in	Procedures for assessing the extent of integrated

	organisations.	thinking (employee surveys to test knowledge of corporate norms, strategies and other clues of integrated thinking as a standard practice)
Completeness.	<ul style="list-style-type: none"> a- Stakeholder inclusiveness b- Litigation risks 	<ul style="list-style-type: none"> a- Include an appraisal of the procedure for determining material issues and relevant capitals. b- Exclude forward-looking statements from the assurance procedures.
Narrative reporting and future-oriented information.	Quantitative orientation of audit practitioners.	Probably the challenge is more related to the training and education of practitioners in areas of knowledge that are relevant for assessing narrative disclosures.

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

We consider that issues to be considered should include:

- Stakeholder participation;
- Ensure representation in the development of the standard at a geographic and interest group level; and
- Scope and application, to consider privately held entities, not for profit bodies and public bodies as well as listed companies.

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?

Is right to recognise that there are different levels of assurance. These are defined by the IAASB and are addressed in existing standards and pronouncements. When the IAASB undertakes its information gathering, it should consider whether <IR> related engagements be addressed within the scope of existing pronouncements. There are challenges in giving “reasonable assurance” on high-level narrative disclosures about strategy, meaning that a focus on a form of “limited assurance” is most appropriate.

We comment on hybrid engagements below.

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?

In order to be cost effective, sustainability and corporate reporting should not be separate threads from integrated reporting.

The existing methods for assessing the corporate financial report and the Sustainability/CSR report should be enough, in terms of procedures, for a proper assurance of an <IR>.

A hybrid assurance process, as a combination of the above, can be a practical and cost-effective solution for reporting organisations. Forward-looking statements should not be subject of assurance. Eventually, investors can perform an own appraisal of the likelihood of these-forward looking statements, and the value-added of the external assurance on this is limited.

A continuing discussion about assurance on integrated reports is important. In particular, we encourage the IAASB to take a lead in developing standards or guidance for giving assurance on integrated reports.

Kind regards

Yours sincerely

A handwritten signature in black ink, appearing to read "David Chitty". The signature is fluid and cursive, with a long horizontal stroke at the end.

David Chitty
International Accounting and Audit Director