

Meeting: IAASB
Meeting Location: New York
Meeting Dates: December 1-5, 2014

Agenda Item 10

Integrated Reporting Working Group

Objective of Agenda Item

1. To obtain views of the IAASB on the proposed activities of the Integrated Reporting Working Group (WG), and its anticipated milestones.
2. To update the IAASB on market developments in relation to Integrated Reporting (<IR>) and the need for assurance in this area and the related assurance issues relevant to the work of the IAASB.

Integrated Reporting WG

3. Members of the WG comprise:
 - Merran Kelsall, IAASB Member and Chair of the Integrated Reporting WG
 - Sue Almond, IAASB Technical Advisor
 - Beth Schneider, Director Deloitte
 - Sandy van Esch, Representative of International Regulatory Board for Auditors (IRBA)
 - Michael Nugent, Correspondent Member and International Integrated Reporting Council (IIRC) liaison

Background

4. At its April 2013 meeting, the IAASB approved the Terms of Reference of the INFO WG¹, subsequently renamed as the Innovation WG.
5. The remit of the Innovation WG is to monitor developments in emerging areas of assurance and make recommendations to the IAASB on specific topics for the IAASB to pursue, including whether there is a need for a standard-setting response. These recommendations will take into account whether there is a visible market demand for assurance in the public interest, including the potential need for the IAASB to enhance the quality of engagements that are currently conducted on a widespread basis internationally or are expected to be in the near future. In particular, the Innovation WG has monitored the developments relating to the <IR> Framework with a view to determine the most appropriate time and nature for IAASB action.

¹ The Terms of Reference of the INFO WG are available on the IAASB website on the Projects page.

6. At its September 2014 meeting the Innovation WG proposed to the IAASB to establish a separate WG to specifically monitor the developing interest in <IR> and the demand for assurance on integrated reports. This includes initial thinking on the nature of such engagements, including the scope of the assurance engagement, the suitability of the criteria, and other matters related to assurance on integrated reports.² The IAASB agreed with the recommendation.
7. Since then, the newly established Integrated Reporting WG held a physical meeting to discuss the objectives, activities and anticipated key milestones of this WG. In addition, market developments in <IR> were explored in more detail, as well as assurance issues that could arise in this area. During this meeting the Integrated Reporting WG also met with external experts, including:
 - (a) Practitioners to obtain further information on how engagements are being performed in practice and how they will further prepare for assurance against the IIRC Framework,
 - (b) An institutional investor, to gain an understanding of how investment decisions are made and the kind of information that is being used (sources), and the expectations on assurance, and
 - (c) Representatives of the IIRC to provide insight into the preliminary outcomes of the roundtables organized by the IIRC based on a Paper it has published on <IR> Assurance.³ The Staff exploration of market needs and developments and the outcome of these discussions is included in the Briefing Paper to the IAASB as Agenda Item 9-B and a summary is included in Agenda Item 9-A.

Objective and Activities of Integrated Reporting WG

8. The objective of the Integrated Reporting WG is:
 - (a) To explore emerging developments in <IR>;
 - (b) Gather further information on the demand for assurance, the scope of the assurance engagement and the key assurance issues; and
 - (c) Explore how the IAASB most effectively can respond via International Standards or non-authoritative guidance (including Staff publications) and in what timeframe.
9. The information-gathering activities of the IAASB Integrated Reporting WG will result in a project proposal to the IAASB describing the key assurance issues, the outcome of consultation with different stakeholders, and a proposed response by the IAASB, the rationale for it and a proposed timeframe.
10. The activities of the Integrated Reporting WG will focus on:
 - Monitoring developments in <IR> and assurance on integrated reports;
 - Considering demand for assurance and related scope of the assurance engagement;
 - Considering assurance implications, including the relevant subject matter information, the assertions on which assurance is obtained, the criteria to assess the subject matter

² The IAASB Work Plan 2015-2016 Updated Agenda Item 6-B IAASB September meeting

³ IIRC *Assurance on <IR>, An Introduction to the Discussion* (July, 2014). In addition a background paper is published: *Assurance on <IR>, An Exploration of Issues*, (July 2014)

information, the assurance standards and the content of the assurance report;

- Assessing potential threats, including reputation risks through inconsistent interpretation and/or use of the “umbrella” standard ISAE 3000⁴ in practice and potential threats to the relevance of IAASB standards through external developments;
- Informing and updating the IAASB and IAASB Consultative Advisory Group (CAG);
- Considering whether, in the public interest, assurance needs should be addressed through high quality standards developed by the IAASB or related initiatives; and
- Recommending actions, up to and including a project proposal on standard-setting.

Interaction with Stakeholders

11. The area of <IR> is emerging and frequent interaction with stakeholders is needed at this stage of information gathering. The Integrated Reporting WG therefore intends to interact with different stakeholders. To ensure efficiency in time these interactions will, to the extent possible, be aligned with the Integrated Reporting WG meetings and IAASB’s existing avenues for interaction with its stakeholders.
12. In addition to the interaction with the IAASB and CAG, the Integrated Reporting WG intends to obtain views from the National Standard Setters and the Forum of Firms.
13. The members of the Integrated Reporting WG intend to invite practitioners involved in assurance engagements with regard to integrated reports, preparers, directors and investors and other relevant stakeholders to attend part of their meetings to obtain further insight into the developments in <IR> and assurance on integrated reports.
14. The members of the Integrated Reporting WG will also interact with the IIRC. The IIRC is currently hosting roundtables in partnership with various organizations around the world on its papers, “Assurance on <IR>: An introduction to the discussion” and a more technical paper “Assurance on <IR>: An exploration of issues”. The intention is to have quarterly interaction with the IIRC. During Q1 of 2015, the intention is to have dialogue on the outcome of the roundtables and on the Feedback Statement that will be prepared by the IIRC, reflecting these consultations.

Anticipated Key Milestones

15. Anticipated Key Milestones are:
 - December 2014: Update IAASB on Market Developments in Integrated Reporting and Emerging Assurance Issues.
 - March 2015: Staff Awareness Paper: This paper will provide insight into the market developments in assurance on Integrated Reporting, the existing standards of the IAASB relevant to this area, emerging assurance issues and the anticipated work of the IAASB in this area.

⁴ International Standard on Assurance Engagement (ISAE) 3000 (Revised): *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*

- September 2015: Discussion Paper: This paper will discuss the most relevant assurance issues in the area of integrated reporting and the suggestions for IAASB responses via international standard setting, preparation of International Practice Notes and Staff Publication, or combinations thereof.
 - March 2016: Feedback Statement. This paper will reflect the IAASB discussions with stakeholders, including responses received to the Discussion Paper.
 - June 2016: Project proposal to the IAASB: The project proposal will describe the market needs, the key assurance issues to which a response by the IAASB will be needed, the type of pronouncement that will be used to achieve the desired outcome with regard to the assurance issues, the rationale for choosing the type of pronouncement, the Task Force composition and the anticipated planning of the project.
16. These milestones will be discussed with the Board and advice will be obtained from the CAG at its March 2015 meeting.

Matters for IAASB Consideration

1. IAASB members are asked for their views about:
 - The proposed activities of the Integrated Reporting WG and its anticipated milestones:
 - Does the IAASB agree with the proposal of the Integrated Reporting WG to develop a Staff Awareness Paper for the IAASB's 2015 March meeting?
 - Does the IAASB agree with the proposed interaction with stakeholders? Are there any other stakeholder groups with whom the Integrated Reporting WG should interact further in its information gathering activities?
 - The relevant market developments relating to <IR>:
 - Increasing demand for use of content of <IR> among investors of the integrated report content; and
 - The need/demand for assurance on the integrated report, or elements thereof, among investors and/or management on which the Integrated Reporting WG should obtain further information?

Material Presented

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| Agenda Item 10-A | Presentation by the Chair of Integrated Reporting WG |
| Agenda Item 10-B | Integrated Reporting Background Briefing Paper – Market Developments in Integrated Reporting and Emerging Assurance Issues |