

FEE-IIRC Roundtable on Assurance on <IR>

16 October 2014, Brussels

Event Summary

Background

The International Integrated Reporting Council (IIRC) has recently launched a discussion on assurance on Integrated Reporting <IR> by publishing two papers: "[An Introduction to the Discussion](#)" and "[An Explanation of Issues](#)" in order to encourage stakeholders' debate on the role of assurance and initiate a global discussion on its benefits and challenges.

The IIRC believes these papers will provide a catalyst for those with an interest in assurance to initiate discussion and to get involved in forums around the world, debating the practical and technical challenges arising from ensuring credibility and trust in <IR>. The roundtable organised in Brussels by FEE, the Federation of European Accountants, and the IIRC was one of such events.

Introduction

[Jean-Charles de Lasteyrie](#), FEE Vice-President and representative of the IIRC for France, welcomed all participants and introduced the topic of the event stressing that FEE had been a pioneer in promoting the development of Corporate and Social Responsibility (CSR) reporting. He emphasised the IIRC role in enabling <IR> to develop in mainstream business practice in both the public and private sectors. Integrated thinking and reporting, resulting in efficient and productive capital allocation, can contribute to supporting financial stability and sustainability. He welcomed the starting of the discussion on assurance on <IR>, but emphasised that the latter should be driven by market demand.

Keynote Speeches

[Richard Howitt](#), Member of the European Parliament and Ambassador of the IIRC, approached the topic in light of other important European developments, such as the

recently adopted European Union (EU) Directive on non-financial information¹. Mr Howitt talked about short-termism as having contributed at least partly to the recent financial crisis and maintained that, looking forward, sustainability issues truly need to be *integrated* in corporate reporting. A lot of work on <IR> has already been done so “we are not starting from zero”. However, it is still necessary to get the value of <IR> known on the global level. He invited all attendees at the event to spread the word and become champions of <IR>.

Michael Nugent, technical director at the IIRC, presented the main areas of discussion included in the IIRC papers. He stressed that assurance was integral to the way <IR> was understood. Assurance on <IR> is essential as contributes to the trust and confidence in the quality of integrated reports. The debate on assurance on <IR> should not be limited to the profession, but should also reach out to investors, preparers, academics, regulators and society at large. He also outlined the main implementation challenges, such as the type of assurance, the competences of practitioners, the need for robust internal systems and the cost of assurance, as well as the technical challenges, such as how to address the questions of materiality, reporting boundaries, connectivity, completeness and narrative and/or future-oriented information. All of these challenges need to be discussed with all stakeholders involved in order to determine what kind of assurance can be provided on integrated reports and at which level.

Hugo Hollander, Integrated Reporting Solutions Global Leader at EY, argued that companies are at a crossroads and have to go beyond “making money” for their shareholders and concentrate on creating value for society, for which integrated thinking is necessary. The implementation of <IR> needs courage, but it has the power to change society and have an impact on the business community. Taking it a step further, compliance with the <IR> Framework will need to be measured, and that is where assurance comes into the picture. Providing assurance on <IR> is considered as very challenging, but also as a new opportunity. The assurance provider on <IR> would need a different skillset than the “old-fashioned auditor”, professionals would need to think about “reinventing themselves”.

Panel Perspectives

A panel, composed of **François Passant** (Eurosif) and **Ralf Frank** (DVFA) both representing investors, and **Chiara Mio**, an academic, was moderated by **Roger Simnet** (Associate Dean of Research, Australian School of Business, University of New South Wales).

François Passant, executive director of Eurosif, provided some insights from the investors’ perspective. He made it clear that there was an increasing demand for reporting on

¹ More information at:

http://www.fee.be/index.php?option=com_content&view=article&id=1437&Itemid=106&lang=en

non-financial information and that investors would always prefer information with assurance. Drawing a parallel with what has happened in sustainability reporting, where there is a genuine demand for reporting and assurance from investors, the profession should be encouraged to adapt and be ready to give assurance on <IR>.

Ralf Frank, managing director of DVFA, followed the discussion by emphasising that <IR> was not only merging financial and non-financial information. Having said that, a lot of qualitative sustainability and other non-financial reporting data are already available and taken into account for investors' decisions, which currently heavily rely on investors' presentations. Investors are deemed to expect that the <IR> provided by management will be of high quality. Therefore, there will be an expectation that some checks and balances are performed, and to be provided by the audit profession.

Chiara Mio, professor at Ca' Foscari University of Venice, presented some current research performed that revealed that assurance and materiality disclosures were significantly and positively correlated, both in relation to <IR> reporting and other reporting.

In conclusion, a lot of support for the provision of assurance on <IR> by the audit profession was noted, as well as a lot of related challenges: what about comparability and standardisation, materiality and level of granularity, need for a high level assurance and an assurance framework, reporting and communication? Many stimulating discussions on how to take this forward will have to follow.

Lunch and Debate

Over lunch, participants split into four groups to pursue the discussion informally.

As regards the implementation issues, it was agreed that at this point, assurance on <IR> is still work in progress and the development of an assurance framework on <IR> should indeed need to be market-driven. Even though the profession (including its education and training) would have to change to accommodate the needs for assurance on <IR>, it should build on the experience it already has from providing assurance on non-financial information (which is already included in annual reports), as well as from experience on assuring CSR and ESG reporting.

When providing assurance on <IR>, practitioners may cooperate with different experts and other assurance providers on areas that are not in the profession's fields of expertise, when need be. Putting the practitioner in a project management role ticking boxes only should nevertheless be avoided.

When discussing the technical challenges, it was agreed that issues such as materiality, connectivity and completeness were not easy to tackle, since the views can differ based on the industry, the company itself, the users' needs or even perception. The discussion also revealed that the concept of different levels of assurance, such as "reasonable" or "limited", was not always properly understood, especially by stakeholders from outside the profession.

It seemed crucial to concentrate on good examples and learn from the IIRC pilot project. We first need to follow the developments taking place in <IR> before moving towards an assurance framework.

Conclusion

In his concluding address, [Olivier Boutellis-Taft](#), FEE Chief Executive, emphasised that we were only at the beginning of a discussion and that no final conclusion on assurance on <IR> could be drawn yet. A balance would need to be struck between promoting standardisation in assurance on <IR> without stifling innovation. In the trade-off between innovation and standardisation, simplicity should be kept in mind as the ultimate objective.

The expectation gap, which was mentioned a few times during the discussion, should not be seen as the wrong expectation coming from stakeholders, but as an opportunity for the profession to improve and better meet stakeholders' needs. As emphasised earlier, we should indeed "reinvent" ourselves, which might mean a slight change in our way of thinking.