ASSURANCE ON <IR>: AN INTRODUCTION TO THE DISCUSSION & AN EXPLORATION OF ISSUES

Response to request by the IIRC for feedback from the United Nations Global Compact

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Q1. What priority should be placed on assurance in the context of driving credibility and trust in integrated reports?

Assurance is undoubtedly a piece of the puzzle of trustworthy integrated reporting, not least because for investors to confidently use the information in an integrated report in their decisions, it should be as close to investment-grade as possible (in other words, assured externally). This is particularly relevant for publicly traded companies. However, the value of external assurance is different and limited for small and medium-sized enterprises (SMEs) who do not need much access to capital market lending and/or investment. Therefore, the level of priority placed on assurance should vary from reporter to reporter, based on the reporting company’s needs and risk profile and its stakeholders’ expectations. Alternative forms of external assessment beyond formal assurance – such as peer and/or stakeholder review - should not be discarded and may fulfill needs, especially when used in combination.

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

Multi-disciplinary teams is a distinctive and notable characteristic of assurance carried out effectively on integrated reports. This goes beyond industry-specific expertise to issue-specific expertise not required in financial auditing, such as most of the social information in integrated reporting.

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?

No comment.
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, quality control, and performance standards?

No comment.

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

There are gaps to be filled in existing internal systems, but this is mostly a matter of transferring skills of good reporting (i.e., timeliness, comparability, measurability, reliability, balance, materiality, etc) among personnel. It is less a question of not knowing what to do or how to report well. Some new skill-building may be necessary in terms of connectivity and the definition of indicators for ESG information that is newly being reported. Training people with accountability for ESG information on the information needs of the investor community with which they may not be familiar, may be required.

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?

It is not likely to be cost-effective for SMEs in any term.

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

SMEs might benefit from cheaper, simpler forms and providers of assurance for their needs. Perhaps organizations such as AccountAbility and Social Accountability International (SAI) can be good examples as they have already gone down the path of developing social auditing standards using generally accepted assurance methodologies and principles.

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

We advise caution on point A; feedback from people in the field consistently recommending not to create new reporting standards would indicate a similar reaction is
likely to new assurance standards. Moreover, there is not yet sufficient evidence from experience that existing standards are wholly inadequate. If the evidence starts to indicate that, perhaps B is a more favorable option – building on existing standards - than A.

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?

No comment.

Q10. What are the (a) key challenges and (b) proposed approaches that assurance standard-setters should consider with respect to the following?

No comment.

Q11. What other technical issues specific to <IR> should be addressed by assurance standard-setters?

No comment.

Q12. What are the (a) key challenges and (b) proposed approaches that assurance standard-setters should consider with respect to the following?

No comment.

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?

No comment.

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