



De-mystifying Assurance

20 NOVEMBER 2019

Introduction

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Today's presenters

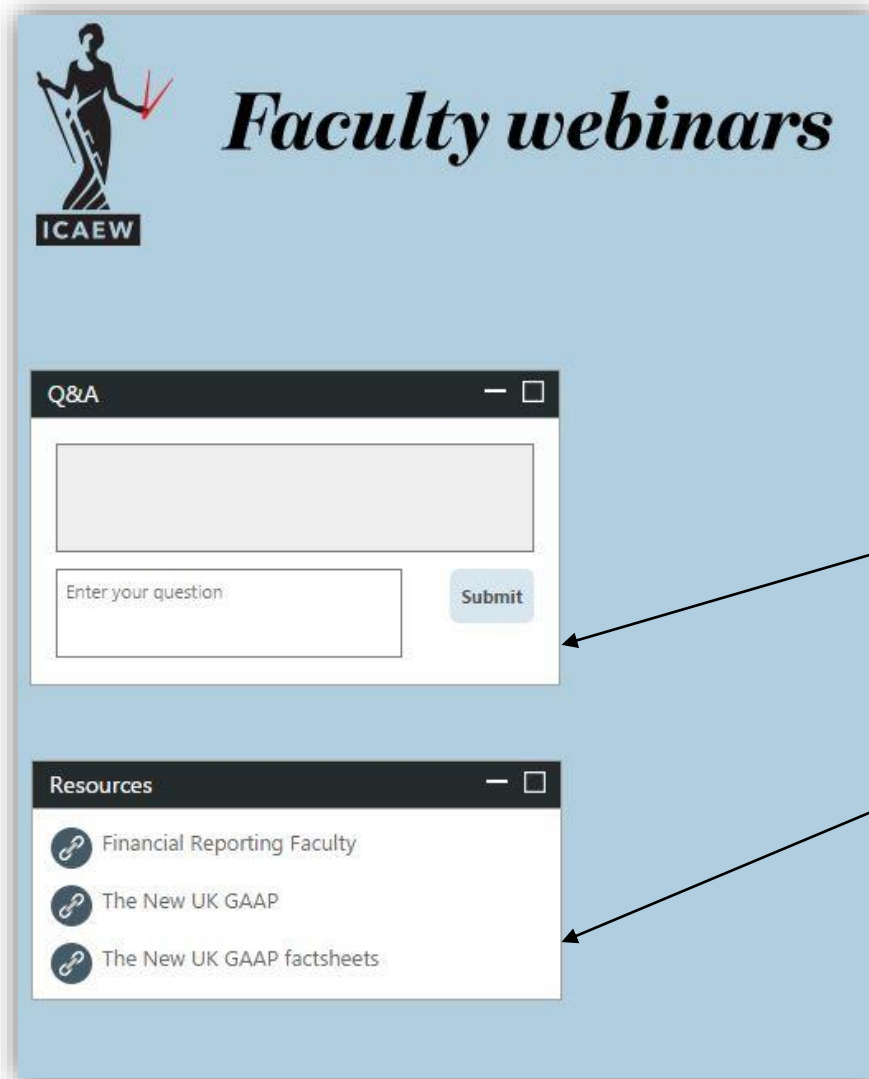
John Ward
Consultant



Mario Abela
Director
WBCSD



Ask a question



The screenshot shows the ICAEW Faculty webinars interface. At the top left is the ICAEW logo, which features a stylized figure holding a scale and a sword, with the text 'ICAEW' below it. To the right of the logo is the text 'Faculty webinars' in a large, bold, serif font. Below the logo and title is a 'Q&A' section. This section has a title bar with 'Q&A' and window control icons. It contains a large, empty text input box. Below this is a smaller input box with the placeholder text 'Enter your question' and a blue 'Submit' button. Below the Q&A section is a 'Resources' section, also with a title bar and window control icons. It lists three items, each with a chain-link icon: 'Financial Reporting Faculty', 'The New UK GAAP', and 'The New UK GAAP factsheets'.



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Ask a question

Type your question into the question box then click submit.

Download resources here

Contents

A buyers guide to assurance

The basics of assurance

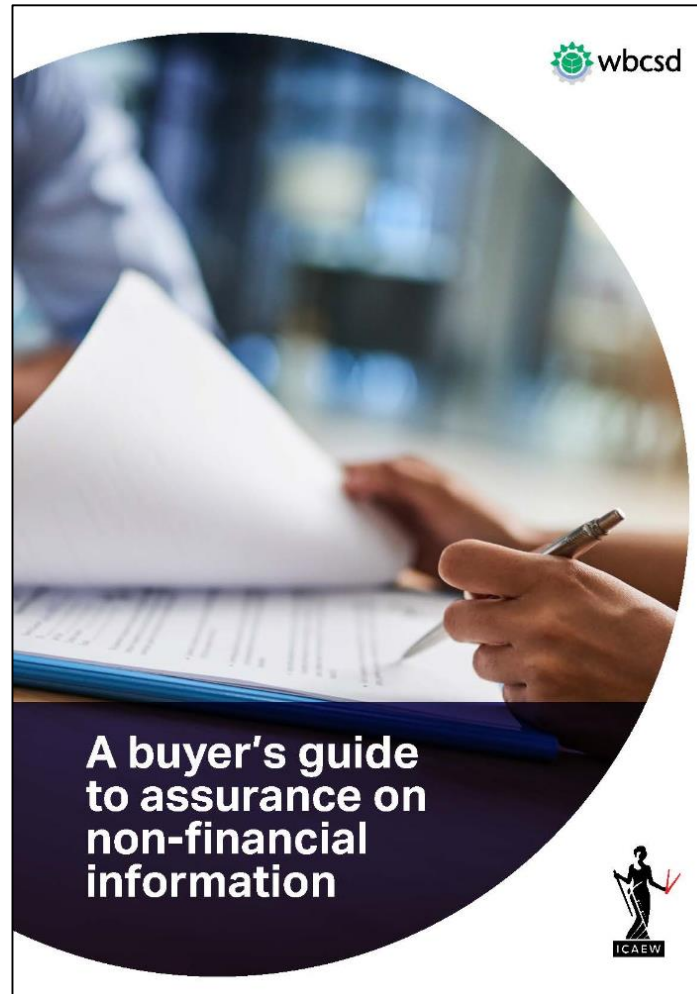
Common misconceptions

Is assurance the right solution for your organisation?

Next steps: commissioning assurance

Questions

*A buyer's guide to
assurance on non-
financial information*



Poll Question 1

How would you best describe your role in relation to assurance?

- a) Preparer of information/reporting
- b) User of information/reporting
- c) Assurance provider
- d) Other

Poll Question 2

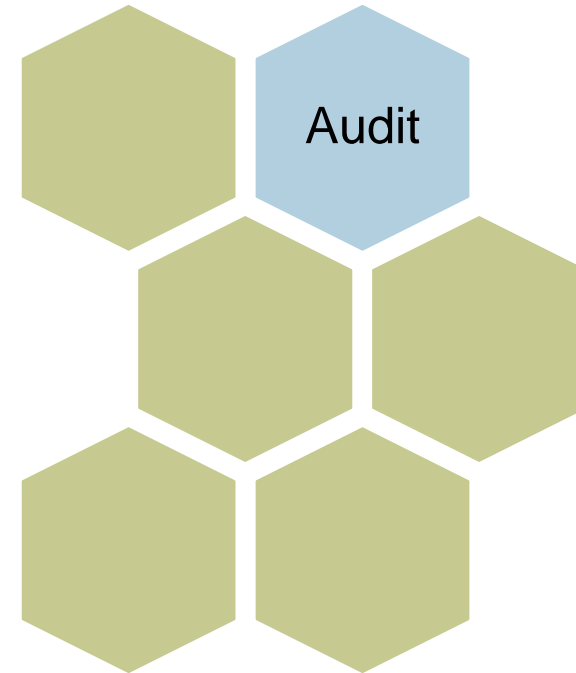
How would you rate your current understanding of assurance?

- a) No or limited knowledge
- b) Understand the basic concept only
- c) Have a good understanding but no practical experience
- d) Have a good understanding including practical experience

Basics of assurance

the comfort that can be derived from credible information or the level of confidence that can be placed in information

An audit of the financial statements is just one example of an assurance engagement

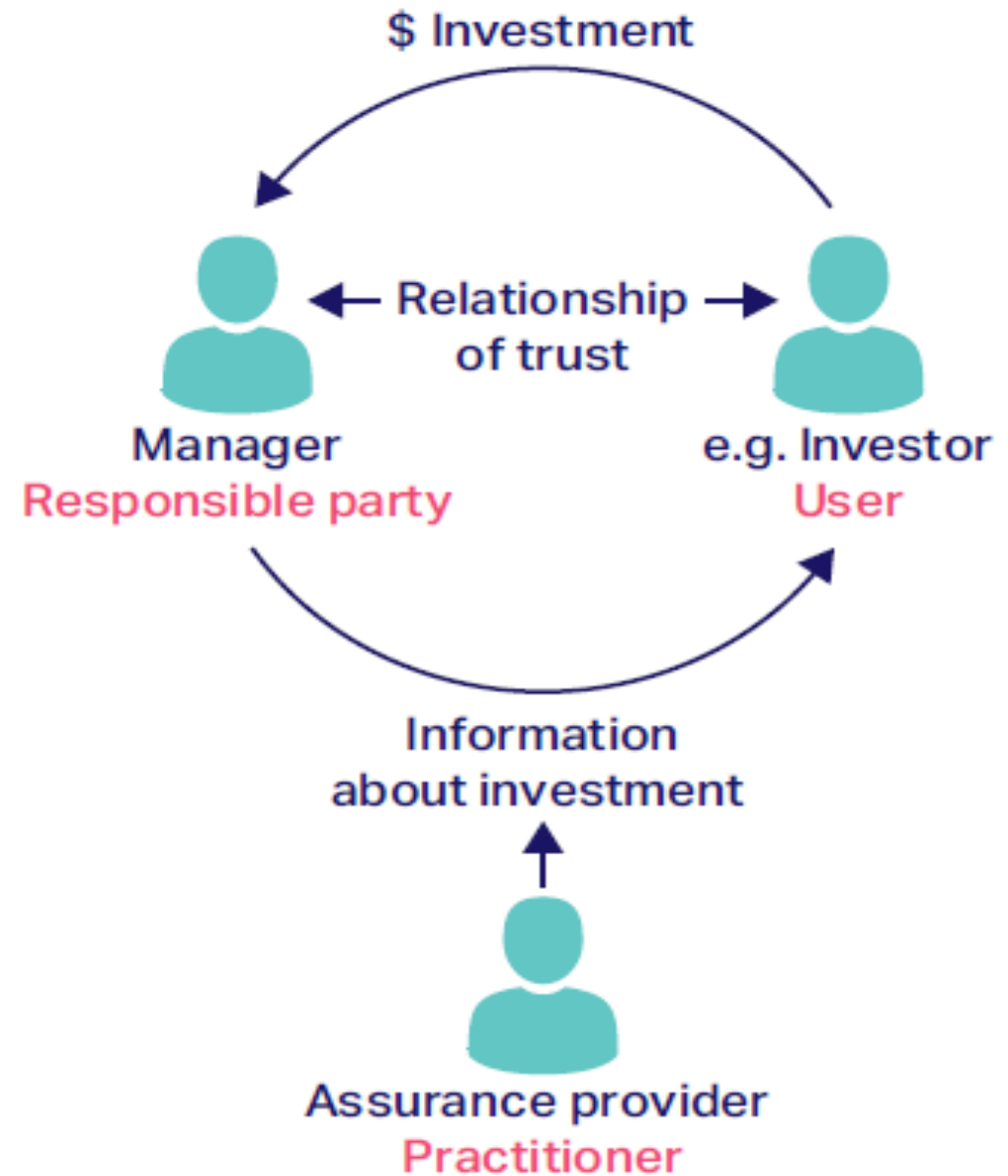


Key Features of an assurance engagement

- Rational purpose
- Five elements
 - Three parties
 - Subject matter
 - Criteria
 - Evidence
 - Written conclusion

Five elements of an assurance engagement

- Three parties
 1. User
 2. Responsible party
 3. Practitioner
- Subject matter
- Criteria
- Evidence
- Written conclusion



Criteria

- Publicly available criteria
 - Regulations
 - Reputable Framework
- Criteria developed by management
 - Must be made available to the user
 - Criteria must be disclosed and published

Types of assurance

Reasonable Assurance	Limited Assurance
<ul style="list-style-type: none">• Risk of a material misstatement of the subject matter is reduced to a low level	<ul style="list-style-type: none">• Risk of a material misstatement of the subject matter is reduced but not to the low level required by reasonable assurance
<ul style="list-style-type: none">• Extensive testing required	<ul style="list-style-type: none">• Testing required but different/fewer tests than required for reasonable assurance
<ul style="list-style-type: none">• Assurance provider confirms if the subject conforms to the criteria	<ul style="list-style-type: none">• Assurance provider confirms whether the subject is plausible against the criteria
<ul style="list-style-type: none">• Conclusion framed in a positive manner eg 'Based on the procedures performed, in our opinion..... is reasonably stated'	<ul style="list-style-type: none">• Conclusion is framed in a negative manner eg 'Nothing has come to our attention to indicate thatwas materially misstated'

Common misconceptions about assurance

- Assurance is insurance
- All corporate communications are assured
- Assurance can cover anything
- Assurance providers will give limited assurance if reasonable assurance is not possible



Myth busting: Assurance is not insurance

There are misconceptions about assurance being a form of 'insurance' – that the assurance provider is offering some 'guarantee' of the information that has been assured. This is not the case. The responsibility for ensuring reported information is relevant and reliable rests solely with management of the organization *procuring* the assurance. Obtaining assurance does not shift management's responsibilities on to the assurance provider. In the first instance, management should be able to demonstrate to the board that it has confidence in the information being reported.

All corporate communications are not assured

Company communications

Audited financial statements
(including notes)

+

'Front half' of annual report
(including governance information)
Narrative about business model,
strategy, risks and governance

+

Sustainability report

+

Analyst presentations

+

Company website



Myth-busting: Assurance providers can assure anything

Establishing whether suitable criteria exist is one of the pre-conditions to accepting an assurance engagement. In other words, if the criteria aren't robust enough to distinguish between good and bad quality information, assurance will simply not be possible and the assurance provider will be unable to accept the assurance engagement.



Myth busting: 'If the assurance provider is unable to give reasonable assurance, can the buyer just ask for, or change to, limited assurance instead?'

No.

In order for an assurance engagement to take place, the assurance provider has to be satisfied that there is a clearly defined subject matter and suitable criteria. This applies to both reasonable and limited assurance. The differentiation between the two is the scope of the assurance provider's work (and therefore the cost) but management must provide the same level of disclosures and criteria regardless. To understand how the scope of work varies between a reasonable and limited assurance engagement, see the example below.

Is assurance the right solution for your organisation?

- Is assurance the most appropriate service to meet your organisation's needs?
- Is your organisation prepared for assurance?

Is assurance the most appropriate service to meet your organisation's needs?

- Why is your organisation considering assurance?
- What do you want to achieve?
- Do the intended users know what they want to have assured and why?
- Is your organisation being realistic about costs?
- Have you considered alternative services?

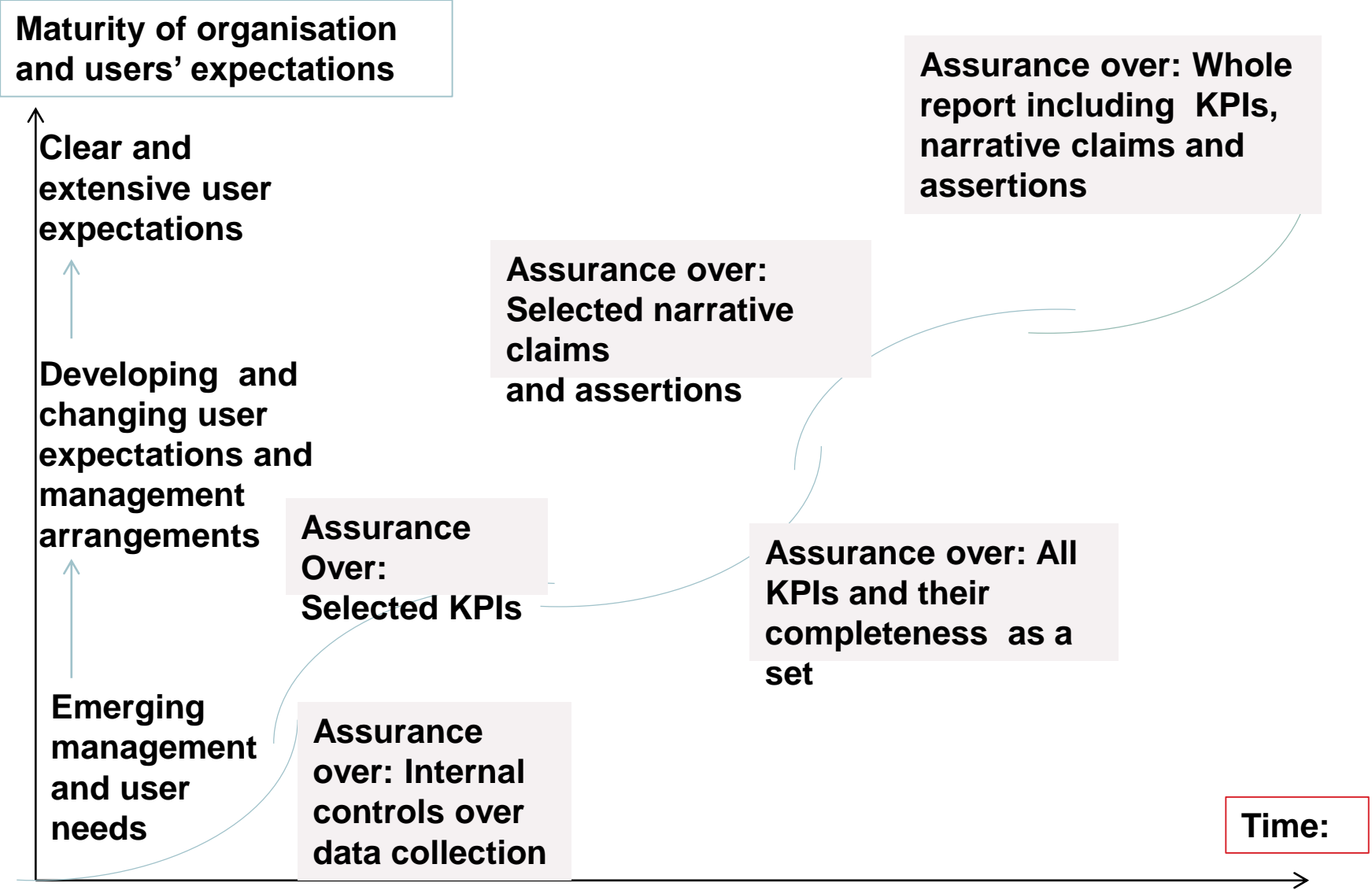
Is your organisation prepared for assurance?

Factors to consider:

- Are your governance arrangements in good order?
- Are your internal control systems in good order?
- Have you considered getting an assurer's view?
- Pre-assurance readiness assessments



Assurance Journey



Next steps: how to commission an assurance engagement

Step 1. Adopt a project mindset

Step 2. Have a plan

Step 3. Discuss all options with a range of assurance providers

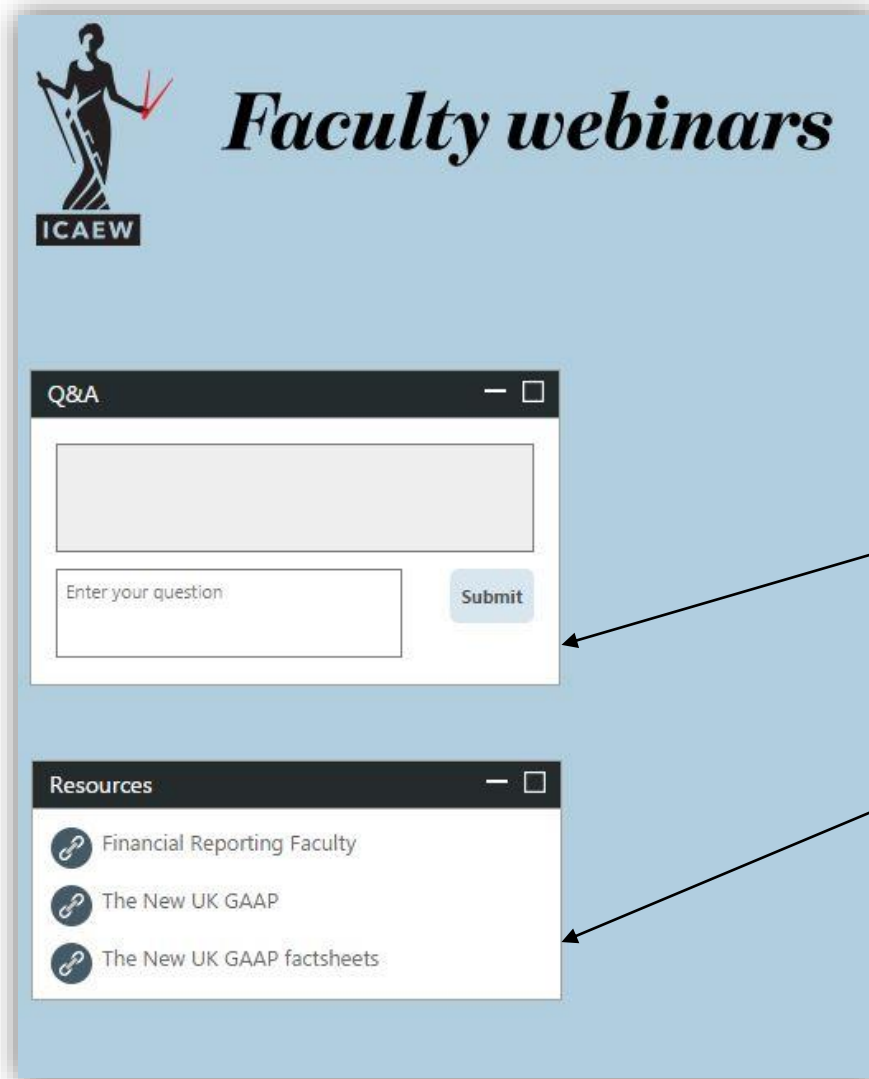
Step 4. Document your plan and approach

Step 5. Find the right assurance provider

Step 5. Find the right assurance provider

- **Knowledge and expertise**
- **Standards and reputation**
- **Independence**
- **Coverage and cultural fit**
- **Fees – beware quality**

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Questions

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Future events

For details, please visit [icaew.com/aafevents](https://www.icaew.com/aafevents)



Webinar

12 December - Audit hot topics and frequently asked question from the Faculty Roadshows

Thank you for attending

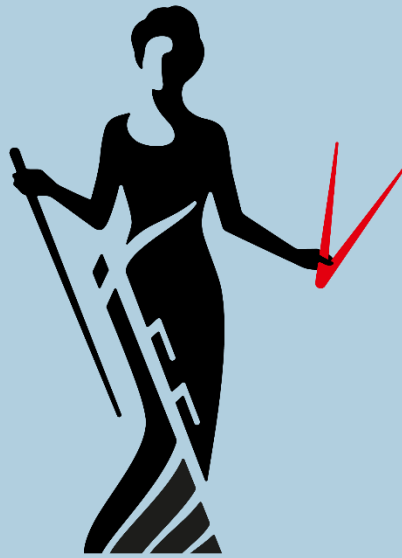
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