Chapter 11
Assurance on Integrated Reporting: A Critical Perspective

Miriam Corrado, Paola Demartini, and John Dumay

11.1 Introduction

In December 2013, the International Integrated Reporting Council (IIRC) released the Integrated Reporting <IR> Framework, which provides, through a principle-based approach, the guidelines and main concepts for issuing an integrated report. The <IR> Framework aims to combine a holistic view of financial and non-financial information to improve the quality of corporate disclosure, by promoting integrated thinking and a better understanding of how different 'capitals' interact in creating value (IIRC 2013).

According to Simnett and Huggins (2015, p. 30), this innovative form of communication differs from current financial and sustainability frameworks that are both unable to provide an integrated view of organisations. While annual reports have become progressively more complex and longer, the release of stand-alone sustainability reports requires stakeholders to examine multiple corporate documents. Consequently, redundant and overlapping information can decrease users' trust (Simnett and Huggins 2015, p. 31; Monciardini et al. 2016, p. 2).

The <IR> Framework emerged in a context in which stakeholders require a transparent and reliable disclosure of the whole business. According to Adams et al. (2016, p. 284), the <IR> Framework "provides a mechanism to address the

M. Corrado
Università Politecnica delle Marche, Ancona, Italy
e-mail: m.corrado@pm.univpm.it

P. Demartini (✉)
University of Roma TRE, Rome, Italy
e-mail: paola.demartini@uniroma3.it

J. Dumay
Macquarie University, Sydney, NSW, Australia
e-mail: john.dumay@mq.edu.au

S. O. Idowu, M. Del Baldo (eds.), *Integrated Reporting*, CSR, Sustainability, Ethics & Governance, https://doi.org/10.1007/978-3-030-01719-4_11

non-financial information needs of providers of financial capital", by enabling organisations to tell their "value creation story". The IIRC intends for <IR> to become the corporate reporting "norm" and an effective instrument in providing both financial and non-financial information.[1]

European legislators have also perceived combining financial and non-financial information a relevant initiative. Directive 2014/95/EU now requires all European listed companies, banks and insurers to disclose, in their management report, an environmental and social statement including employee, human rights, anti-corruption and bribery matters. According to Monciardini et al. (2016, p. 11), EU law emphasizes "*the failure of existing accounting rules to respond to broader societal, environmental and economic needs that go beyond shareholder interests.*" However, critics still perceive the <IR> framework to maintain and increase companies' focus on shareholders' needs in a financial and traditional reporting construct, instead of being addressed to broader social or environmental needs (*ib.* pp. 14–15).

Finally, while the <IR> framework aims to offer a concise and holistic view of corporate disclosure, critics argue that its underpinning model mainly addresses the needs of financial capital providers (Milne and Gray 2013; Flower 2015; Dumay et al. 2016). This is an important difference from the integrated reporting adopted in South Africa (King Report on Governance for South Africa-2009, IDSA, 2009), which addresses a more comprehensive range of stakeholders and considers assurance as a feature of accountable governance (de Villiers et al. 2014, p. 1049; Tweedie and Martinov-Bennie 2015, p. 56).

Another important question in prior research is whether the information <IR> provides is sufficient and reliable enough to enhance users' trust. Unlike the financial reports, sustainability and integrated reports are adopted on a voluntary basis. Managers have wide discretionary power in these reports, particularly in <IR>, which directs managers to adopt a strategic and forward-looking approach (Simnett et al. 2016). Thus, many researchers believe that without an independent third-party or other credibility-enhancing mechanisms able to ensure the information provided is reliable, <IR> becomes another "marketing" document or form of rhetorical storytelling (Park and Brorson 2005; Simnett and Huggins 2015; Mori Junior et al. 2014).

Within <IR> literature, more skeptical perspectives argue that assurance practices cannot overcome problems embedded in the <IR> framework. Conversely, others believe that the <IR> Framework has the potential to play a relevant role in internal and external decision-making processes and move capital markets towards a longer and more sustainable view (Tweedie and Martinov-Bennie 2015, p. 56). Mainstream research considers assurance as a fundamental mechanism for enhancing user trust (Cohen and Simnett 2015, p. 68).

[1]As the IIRC expresses in its Mission: *"The IIRC's mission is to establish integrated reporting and thinking within mainstream business practice as the norm in the public and private sectors*." http://integratedreporting.org/the-iirc-2/

In the light of these main critical points, in this chapter, we try to understand whether the <IR> assurance process can represent a useful tool to enhance users' trust. Our findings, based on a pilot study involving a group of experts engaged in <IR> assurance debates, are in line with the more critical social, environmental and sustainability accounting and reporting (SEA) literature (O'Dwyer and Owen 2005; Milne and Gray 2013). Our explorative research reveals how assurance is perceived mostly as a tool for improving managers' confidence in their own non-financial reporting rather than a credibility-enhancing instrument for stakeholders.

The chapter is structured into six sections: The literature review presented in Sect. 11.2 outlines the main assurance issues identified in both past CSR research and the most recent <IR> literature. The latter was used to develop the key themes for interviews with experts engaged in the <IR> assurance discussions, as detailed in the methodology Sect. 11.3. Findings follow in Sect. 11.4. Section 11.5 discusses the findings and, finally, Sect. 11.6 highlights research limitations and an agenda for further research.

11.2 Literature Review

Numerous prior studies examine the value of, and demand for, assurance in both financial and sustainability reports. These studies adopt different theoretical perspectives, ranging from the institutional (Jensen and Berg 2012) to the more traditional stakeholder (Bepari and Mollik 2016; Wong and Millington 2014) and legitimacy theories (O'Dwyer et al. 2011; Perego and Kolk 2012). In particular, the procedure for assuring non-financial information has been well developed throughout the last decade with reference to assurance practices in Sustainability Reporting (SR) (Velte and Stawinoga 2017). Although SR and <IR> differ, both incorporate non-financial information. Therefore, the issues past research raises about SR assurance offer a starting point for interrogating the relatively new process of <IR> assurance.

Opinions on the role of non-financial information assurance are not converging.

Eccles et al. (2012a, b, p. 12) state that assurance on SR has an important function in making reports more comparable and reliable, and consequently increasing the trust of users who know an independent third party reviews the information and the underlying reporting processes. On the other hand, O'Dwyer and Owen (2005) question the independence of the assurance exercise, due to a large degree of management control over the assurance process.

According to Dumay et al. (2018), legitimacy theory is widely used to explain social and environmental accounting practices, and a widely accepted version of legitimacy theory is that outlined by Suchman (1995). The advantage of Suchman's (1995) account of legitimacy theory is that he distinguishes between the strategic and institutional perspectives and outlines how organisations maintain, gain or repair legitimacy. Thus, legitimacy theory is an appropriate lens to understand how organisations either adopt or justify SR practices, such as assurance, because assurance helps to develop trust between stakeholders and managers and confirm that information about material issues is reliable (Dumay et al. 2015).

Suchman (1995, p. 574) proposes an inclusive and broad-based definition of legitimacy as "a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed systems of norms, values, beliefs, and definitions." Beyond the broad definition of legitimacy, Suchman (1995) identified that studies of legitimacy have assumed two distinctive dimensions of the pursuit of organizational legitimacy, being the strategic and institutional approaches. In broad terms, the strategic perspective "adopts a managerial perspective and emphasizes the ways in which organizations instrumentally manipulate and deploy evocative symbols" (Suchman 1995, p. 572). Thus legitimacy is seen as an operational resource assuming a "high level of managerial control over legitimating processes" (p. 576). Alternatively, the institutional view assumes the perspective that "cultural definitions determine how the organization is built, how it is run, and, simultaneously, how it is understood and evaluated" (Suchman 1995, p. 576). Within the context of reporting and assuring non-financial information, drivers of strategic legitimacy originate from the organization's management, influencing the boundaries of the whole process of communication with the organization's stakeholders in support of their goals, whereas drivers of institutional legitimacy originate from the organization's external environment, where management decides to adopt a voluntary assurance to comply with culturally defined norms of behavior.

Studies based on the legitimacy theory demonstrate how external pressures influence management decisions in adopting assurance practices in SR (Perego and Kolk 2012), often with the aim to enhance reputation and legitimacy (Michelon et al. 2015; Gürtürk and Hahn 2015). From a legitimacy theory perspective, organisations seek to survive in their social context by implementing procedures that communities expect and desire, and take remedial actions to improve external perception (Suchman 1995; Guthrie et al. 2007). According to Dowling and Pfeffer (1975, p. 127), organisational communication represents a tool through which a company can "become legitimate", being identified by its values. Therefore, companies use corporate disclosure to influence external expectations and perceptions about the organisation (Tregidga et al. 2006, p. 4; Guthrie et al. 2007, p. 6; Beck et al. 2017).

Prior SR assurance studies using the legitimacy theory concur that assurance practices in SR play a strategic role in influencing users' perceptions and creating a positive corporate image. In particular, it is possible to distinguish the assurance practices as a mechanism to enhance corporate legitimacy (Cohen and Simnett 2015, p. 65) from the assurers' strategies adopted to legitimise the assurance practices themselves and create "a need and demand for assurance" (O'Dwyer et al. 2011). In the second case, practitioners adopt a consulting and a "co-producing" approach, undermining the independence of the assurance process and favoring the management that controls the report content (Bepari and Mollik 2016; O'Dwyer et al. 2011).

Since <IR> is a means for communicating the organisation's value-creation process to capital providers (IIRC 2013), and "potentially" also to other stakeholders (de Villiers et al. 2014, p. 1050), <IR> assurance might represent a positive process that increases credibility of the organisations' "value creation story" and clarifies how it is defined (Adams 2013, 2015, p. 52). Consequently, this research will answer the following research question:

RQ 1) Can <IR> assurance increase users' trust?

11.3 Literature Review: <IR> Assurance

In this section, we identify the key issues emerging from the IIRC consultation paper (2015) and literature on <IR> assurance. In recognising the growing importance of the role of assurance in <IR>, the IIRC (2015) collected the significant concerns from the previous consultation paper, which was addressed not only to academics and assurance providers but also to "all those with an interest in building the credibility of and trust in corporate reporting" (IIRC 2014a, b, p. 2). The report highlights three main considerations: the awareness that assurance practice in <IR> can increase the reliability of information disclosed and stakeholders' trust; the need for innovation in the development of assurance, since traditional criteria may not be suitable in <IR>; the framework is still evolving, and it's too early to require assurance.

Although the IIRC is not interested in giving particular directions or providing standard-setters for the role of assurance in <IR> ("*The IIRC does not aspire to be a leader in assurance*" (IIRC 2015, p. 6), they encourage research and innovative approaches to resolve the identified concerns.

Despite the recent emergence of several studies on <IR>, IR assurance is under-researched (Dumay et al. 2016, p. 9). Academics usually refer to assurance concerns within their broader study on the <IR> Framework, and the opinions on the role and the usefulness of <IR> assurance are conflicting. Some authors claim assurance is necessary to ensure "complete, correct and comparable information" and contrast the discretion entrusted to managers to hide negative information that can damage the company's reputation (Flower 2015, p. 10). Other researchers call for a better understanding of the most challenging assurance characteristics necessary to ensure information reliability and users trust (Simnett and Huggins 2015; de Villiers et al. 2014). Conversely, some authors question whether there is enough interest in integrated reporting from users to require assurance (Cheng et al. 2014, p. 101; Rensburh and Botha 2014, p. 151). However, other studies underline the inability of assurance providers to apply reliable methodologies and procedures to narrative and looking-forward information, arguing that the lack of non-financial and generally accepted standards makes it impossible to develop a complete materiality process and comparative analysis across organisations (Adams 2015; Eccles et al. 2012a).

Table 11.1 Unsolved issues and main concerns in <IR> assurance

IR assurance issues	Main concerns
The role of assurance (Simnett and Huggins 2015; Maroun and Atkins 2015; de Villiers et al. 2014; Zhou et al. 2016)	• Assurance as a managerial instrument to influence investors' perception (i.e. a 'greenwashing' mechanism) • Uncertain added value of assurance process in integrated reporting • Impacts of assurance on users' behaviour and potential benefits on financial market • Lack of broader social accountability and stakeholder-inclusivity in assurance process
Materiality and completeness in non-financial information (Maroun and Atkins 2015; Simnett and Huggins 2015; Mio 2013)	• Completeness vs. conciseness <IR> principles • High degree of managerial discretion in defining material aspects • Subjectivity of materiality process, which relies more on strategic views than factual aspects • Establish material thresholds for narrative and future-oriented information
Lack of global regulation and specific standards (Adams 2015; Eccles et al. 2012b)	• How to ensure more narrative and future-oriented information • Lack of generally accepted criteria for non-financial information • Need for innovative assurance standards that combine financial and non-financial assurance • Presence of different types of assurance standards and guidelines (ISA 720, ISAE 3410, ISAE 3000, ISAE 3400, AA 1000, GRI)

From the perspective of a consulting firm, integrated reporting assurance represents a competitive market for several assurance providers, which have important economic interests at stake (Cohen and Simnett 2015, p. 65; O'Dwyer et al. 2011). Since listed companies in South Africa adopt integrated reports on an "apply or explain" basis, the most significant auditing firms have already faced some of the most critical issues. From their perspective, a combination of internal and external assurance could represent an efficient strategy for finding innovative solutions that ensure the reliability of <IR> metrics (Chartered Institute of Internal Auditors 2015, p. 9; KPMG 2012, p. 12; Ahmed Haji and Anifowose 2016; Abdifatah and Mutalib 2016). However, the IAASB (2014) considers <IR> assurance "*at an early stage of development and [it needs] further development based on user needs*". In addition, the existing standards and guidelines are unsuitable for covering the broader information that the <IR> Framework requires, and there is a need for innovative forms of assurance methodologies able to enhance the credibility of reports (Simnett et al. 2016, p. 10; IAASB 2016).

The few studies focusing on integrated reporting highlight some relevant challenges in <IR> assurance regarding the following three main aspects: the role of assurance; materiality and completeness of non-financial information; and, a lack of global regulation and specific standards (Maroun and Atkins 2015; Simnett and Huggins 2015; Mio 2013; Demartini and Trucco 2017; Maroun 2018). Table 11.1 shows the main concerns about assurance practices in <IR>, which we used to structure the interviews with <IR> experts.

11.4 Methodology

Our investigation is an exploratory study, which aims to uncover key themes and issues that can develop a research agenda for future research (Van Teijlingen and Hundley 2001). The research adopts a qualitative approach, using semi-structured interviews (see annex I) conducted in Australia with a group of experts engaged in <IR>. Interviews incorporate three main perspectives on <IR> assurance from practitioners, academics and report users.

The research design had two phases. First, we analysed prior SR and more recent IR literature to identify key issues to interrogate in interviews. Second, we collected data through in-depth interviews and other sources of evidence, which included <IR> meetings and documents research participants provided, to determine the extent to which these issues recur in IR assurance.

Interviews represent one of the most important data sources and are designed as a kind of "guided conversation" (Yin 2014, p. 110). According to Qu and Dumay (2011, p. 246), "*the semi-structured interview involves prepared questioning guided consistently and systematically by identified themes interposed with probes designed to elicit more elaborate responses*". Semi-structured interviews are beneficial because they are a flexible and insightful tool, which allows us to obtain a deep understanding of different individual perceptions (Qu and Dumay 2011, p. 246; Ritchie and Lewis 2003, p. 141), as well as a deeper interrogation of themes the IIRC's consultation and prior research has only briefly discussed.

Consequently, our interviews are based on three principal themes previously identified in our literature review (see Table 11.1):

- The role of assurance in the <IR> context;
- Materiality and completeness of non-financial information
- Lack of global regulation and specific standards

The themes, as illustrated in Table 11.1, are linked to some concerns that potentially undermine the trustworthiness/reliability of information reported by organisations. Consequently, discussing the above-mentioned topics with experts allows us to think rationally about whether the assurance mechanism is able to increase users' trust and confidence of <IR>.

The research provides different perspectives to help us understand how assurance can represent a reliable instrument in enhancing trust and confidence in <IR>. The eight participants involved in this research can be classified as follows: practitioners, investors and academics/institutional members (Table 11.2). Each selected participant is directly involved in the discussion of assurance practices in <IR> through participating in institutional meetings (e.g., AASB meetings), providing feedback in the IIRC's consultation processes or taking part in the IIRC's Networks.

Practitioners can offer a more practical view of the methodologies adopted and the technical assurance challenges. They can propose possible solutions for the typical features of the <IR> Framework, providing a comparison of current methodologies in non-financial disclosure, and underline new concerns that require

Table 11.2 Categorisation of interviews

Perspective	Data sources	Participant's role	Data categories
Practitioners	P1	Senior sustainability manager and consultant	• Role of assurance in <IR> • Materiality and completeness • Assurance regulation and standards
	P2	Consultant and institutional member	
	P3	Financial controller and accountant	
Academics	A1	Professor and institutional member	
	A2	Researcher	
	A3	Professor	
Investors	I1	ESG investors' advisor	
	I2	ESG analyst	

additional guidance and considerations. Academics or institutional members are informed experts who can analyse IR in light of prior assurance initiatives in SR. Concerning investors, they represent the primary users of <IR> and can offer a better understanding of how the assurance practice is perceived and how it represents an effective mechanism for ensuring reliable information for the investment decision-making process.

11.5 Findings

This section provides an overview of our findings in light of the <IR> assurance debate. The findings have been grouped into three different themes previously identified in the literature review (Table 11.3).

11.5.1 The Role of Assurance

Practitioners agree that assurance has an important role in quality and confidence, but have reservations about the new technical challenges the <IR> format introduces (Bepari and Mollik 2016; Simnett and Huggins 2015; Cohen and Simnett 2015). None of the practitioners address the instrumental use of assurance in detail. Contrary to Michelon et al.'s (2015) claims, practitioners perceived the choice of implementing assurance in SR reports and <IR> as *"best practice"* (P2), and as adding value for companies rather than as a "symbolic" instrument to influence stakeholders' perception. However, some practical gaps to fully assure what the <IR> Framework requires emerge.

Practitioners perceive significant technical challenges to assuring <IR> information, underpinning the business model and business strategy. P1 maintains that

Table 11.3 Summary of main <IR> assurance concerns from interviews

Assurance issues	Main concerns from interviewees
Role of assurance	• Assurance as managerial and internal instrument to enhance reputation and legitimacy • Lack of impacts of assurance on users' behavior and potential benefits on financial market • Effective added value brought by assurance in integrated reports • Lack of broader social accountability
Materiality and completeness of non-financial information	• High degree of managerial discretion and subjectivity in defining material aspects • Business centric view of materiality process • Lack of stakeholder engagement • Completeness vs. conciseness <IR> principle • Need to establish material thresholds for narrative information
Lack of global regulation and specific standards	• Lack of compulsion and comparability • Need for innovative assurance standards or guidelines • Effectiveness of current assurance standard • Difficulties in auditing strategic information

<IR> requires the assurance of *"not codified statements"* in terms of business strategies, and it is difficult to see how these can be assured. In the same way, the assurers *"would not know how to provide assurance in a considerable manner moving into more forward-looking and value-based reports*". Moreover, as stated by P2, the <IR> Framework "*is always around the purpose of the organisation with the focus on the value that had been created rather than just a report [on what is] achieved"*.

The practitioners interviewed for this study called for more practical guidance to assure the kind of information <IR> seeks to provide in particular, the non-financial capitals—and to provide objective and evidenced-based conclusions. Hence, according to P1, the only risk is the adoption of poor quality assurance, which does not provide the confidence that stakeholders require or would expect. Conversely, *academics* underlined the 'marketing' latent purpose to adopt assurance since companies intend to *"enhance their reputational capital and be seen [as] good corporations"* to attract investors (A2).

The lack of compulsion and the narrative approach of <IR> leaves extensive discretion to management, not ensuring an adequate level of confidence for broader societal accountability purposes. In particular, adopting the storytelling approach within integrated reports, companies are more likely to tend to *"tell you the best story rather than tell you something negative"* (A2). Consequently, assurers need to be able *"to identify what has not been reported and then should be flagging if there are inconsistencies between the strategies of the company and what has been reported"* (A3). This is in line with the approach already adopted by auditors in assuring that the information released in the management report is consistent with the audited annual report (ICAEW 2008, p. 9).

Investors were generally skeptical of the usefulness of both <IR> and <IR> assurance. This is consistent with Slack and Campbell's (2016) finding of investors' unfamiliarity with <IR> that "express concerns over the measurability and connectivity of the capitals model" (p. 9). Similar to prior academic findings, I1 states that *"it is part of account board credibility communication to have the assurance. It is probably less about making sure the information is accurate and reliable for investment purposes"*. Assurance becomes a practice within organisations to feel confident about the disclosure released in the markets, rather than increase users' trust. Furthermore, as the academics A1 and A2 also suggest, *"investors do not typically spend a lot of time looking at the assurance report, given that they can read one"* (I1).

If on the one hand, <IR> represents an "*SR evolution*" (I1) for increased transparency and its supposed investor focus, on the other hand, as the interviewee I2 states—*"I don't really trust any narrative that a company provides. I always use the numbers that they provide, [. . .], but I don't really pay any attention to the story that goes along with them"*—the qualitative and narrative nature of information limits the report's trustworthiness and reliability.

11.5.2 Materiality and Completeness

Our investigation of materiality aimed to provide a deeper understanding of how, if at all, assurance can enhance confidence in the <IR> Framework. Ideally, materiality processes should ensure complete and reliable disclosure for the decision-making process and that material information is defined and selected for the assurance process. Prior CSR research finds materiality processes in non-financial disclosure not well-defined (Jones et al. 2016b).

Practitioners view <IR> materiality as especially challenging for assurers that do not have detailed knowledge of the business and are therefore not able to assess quantitative thresholds of non-financial information (Mio 2013, p. 87–91). According to P3, if "<IR> is considered as an extension of the financial report for a better understanding of the value that the organisation is creating and investment decision purposes, then materiality has to be expressed in financial terms". Thus, despite the potential of <IR> to move markets towards a longer-term perspective (Tweedie and Martinov-Bennie 2015, p. 57; Mio 2013, p. 85), a large number of investors still have short-term investment horizon and "therefore short-term returns can only be [expressed as] financial results" (P3).

Some interviewees confirm <IR>'s ability to provide enough information to investors without becoming "meaningless and lengthy" (P2, P3). However, on the other side, the lack of a robust and independent materiality process "moves away from the report being focused on what is most important, complete and transparent [for a wide range of stakeholders] to being a report that is tailored to what is most important just to the business" (P2). This seems coherent with the <IR> Framework focus on what is most important to the business rather than what is most relevant for a wider range of stakeholders in terms of environmental and social sustainability (GRI 2013a, b; Tweedie and Martinov-Bennie 2015; Jones et al. 2016a).

The academics interviewed particularly addressed the materiality challenges to the wide discretion <IR> entrusts to management in deciding which information they want to report and which they do not. Researchers already question the voluntary basis approach of non-financial reports and the six capitals in <IR> Framework (Flower 2015, p. 4; Adams 2015, p. 26; Dumay et al. 2017, pp. 461–480). In particular, it has been argued that there are unclear boundaries and a lack of prescription of <IR> capitals. As stated, in determining the materiality process, "the problem is that the company is prioritising some of the capitals over the others in <IR>; they are actually more interested in financial impacts because their strategy is to make money" (A3). Moreover, according to A2, "in <IR> you do not have to disclose everything because it is not regulated yet. [. . .] The CEO, chairperson, is not going to overly disclose details or sensitive information, they are vague enough to be aspirational. [. . .] <IR> is trying to obtain a more scientific methodology and statistics measure, but that doesn't mean to say that everything is being disclosed. They can still cherry pick information to tell the best story". These statements lead to the widespread belief that management adopts voluntary reporting with the aim to enhance reputation influenced by the external pressure in being perceived as legitimate (Perego and Kolk 2012) (Michelon et al. 2015; Gürtürk and Hahn 2015).

In particular, the participant investors were not interested in any form of investors engagement or inclusiveness within companies in determining materiality for <IR>. They appear more interested in the potentialities of <IR> to provide additional and more concise information for the investment decision-making process, rather than in the role of assurance as a mechanism to enhance information reliability. "<IR> is not going to be the entirety but it is a useful road map, a contextualization of the total story. [. . .] A good <IR> is like an external expression of good board reporting [. . .] as an early indicator of a successful strategic initiative and that is the kind of information that it is potentially new and really helpful for investors" (I1).

Thus, there seems to be the awareness that the companies do not provide complete information in their qualitative disclosure and that the concise information provided in <IR> represents the top-level view of what is going in the business.

11.5.3 Lack of Global Regulation and Specific Standards

In the debate on non-financial information assurance, many researchers highlight the lack of standardized methodologies and specific assurance standards (Gürtürk and Hahn 2015; Perego and Kolk 2012; Manetti and Becatti 2009). Furthermore, the IIRC questions whether there is a need for innovation in developing assurance methodologies in integrated reports (IIRC 2015, p. 14) due to the presence of forward-looking and strategic information (Simnett et al. 2016). Among the practitioners and academics interviewed, it is not possible to delineate a single opinion.

Some deem that current methodologies and standards, such as ISAE 3000 and AA1000, are sufficient. Others believe that it is necessary to develop further guidance and additional assurance standards for the integrated reports released according to the <IR> Framework. In particular, P3 suggests that an additional and special guidance is required for the <IR> Framework on a principles-based approach "because you can never anticipate what new non-financial information companies want to report".

In addition, most academics consider that until <IR> processes become more advanced, it is impossible to think that assurance will guarantee comparable and reliable information to investors (Stubbs and Higgins 2014). As stated by A1, "<IR> needs to be developed a lot further and become more mature before we can even start thinking about standardizing assurance. Until it is not mandatory or unless it is much more mature, I do not think assurance can lead reporting; reporting has to lead assurance". This is consistent with Dumay et al. (2017), who advocate "the need for further development and evidence to help inform improvements both from a policy and a practice perspective".

11.6 Discussion

In the existing literature on the <IR> Framework, few studies focus on the topic of assurance and analyse <IR> assurance practices. This research aims to contribute to the emerging field of <IR> assurance research using the legitimacy theory lens (Suchman 1995). In analyzing the opinions of expert practitioners, academics and investors, the paper sought to answer the following research question:

RQ 1) Can <IR> assurance increase users' trust?

Under the *legitimacy perspective lens*, previous studies on SR assurance have already demonstrated how external pressure, also coming from legislation in social and environmental contexts, acts as a driver for companies to adopt assurance practices (Perego and Kolk 2012, p. 184). On the other hand, other authors argue that assurance can become a symbolic practice driven by a management agenda to enhance reputation and maintain legitimacy (Michelon et al. 2015, p. 75; Gürtürk and Hahn 2015).

Concerns arising from the interviews have been reconsidered in the light of the two dimensions envisaged by Suchman (1995). As shown in Table 11.4, we highlight how the voluntary and non-standardized nature of <IR> reporting and assurance lead organizations to adopt a strategic legitimacy approach (pp. 275).

In fact, it emerges that managers have full discretion to decide what information to report and what to assure, as already stated by Flower (2015). This aspect undermines the independence of assurance practitioners, who tend to work very closely with managers and directors in the assurance process of non-financial data and can affect the objectivity and robustness of the whole assurance process.

Table 11.4 Dimensions of legitimacy (Suchman 1995) and <IR> assurance concerns from interviews

Dimensions of legitimacy	<IR> assurance concerns from interviewees (Table 11.3)	Interview questions (see annex I)
Strategic perspective	• Assurance as managerial and internal instrument to enhance reputation and legitimacy • High degree of managerial discretion and subjectivity in defining material aspects • Business centric view of materiality process • Effective added value brought by assurance in integrated reports • Lack of broader social accountability	Some studies suggest that companies only use assurance to enhance their reputation and legitimacy. Can you provide your view/opinion?
Institutional perspective	• Lack of global regulation and specific standards do not support an institutional legitimacy perspective	

These results are consistent with recent studies (O'Dwyer et al. 2011; Bepari and Mollik 2016) that show how assurers tend to provide their services to improve the image of organizations, rather than to make organizations more accountable. Hence, a decline in the confidence of assurance practices with non-financial information is confirmed by the sceptical perspective of academics and investors involved in our research, who believe that assurance is a strategic tool for companies to enhance their reputation. As supported by Dowling and Pfeffer (1975) and Suchman (1995), the aim to gain and maintain legitimacy leads organizations to focus their attention on the communication process with their stakeholders and, in particular, on the reporting practice identified and perceived as a way to be responsive to their larger interests (Beck et al. 2015).

Furthermore, as stated by some professionals, our research also demonstrates how assurance is perceived as a tool for improving managerial confidence in their non-financial reports. Assurance becomes necessary to enhance confidence, especially for directors, who are principally responsible for corporate disclosure and feel more confident if a third party reviews the whole process leading up to the integrated report.

Finally, some of the interviewees reveal that overall investors do not put much faith in narrative and "story-telling". Investors from our interviews believe that companies do not provide a complete and fair image of the business and are used to gather non-financial information from different sources to make informed decisions. They rely more on financial reports, which already present a high level of assurance since it is a more mature and standardized practice. In fact, as Adams et al. (2016, p. 294) also suggest, so far <IR> does not ensure the complete dimensions of businesses are adequately reported. Or at least, <IR> is not any more effective than existing traditional forms of reporting are representing businesses' overall activities.

The IIRC's proposal that <IR> should become the corporate norm does not seem to be supported by our findings, given that mandatory requirements in traditional financial reports provide more accurate and comprehensive information for investors than a concise, integrated report (de Villiers et al. 2014, p. 1046). In fact, investors in the interviews outline the need for additional details and links to other documents, comparing the integrated report to a "conceptualization map".

11.7 Conclusions

This study contributes to the emerging <IR> literature by assessing the assurance <IR> raises, and how these challenges affect users' trust. However, since the study is based on a small sample, and is inherently exploratory, there is a need for further research involving a wider sample of participants in a global context Prior research has found that investors, who are supposedly the main users (stated by IIRC), seem to have different expectations of <IR> assurance (Slack and Campbell 2016).

Our findings are consistent with this observation, and also question whether the <IR> Framework meets investors' needs. First, it is necessary to understand how much interest and demand there is, in practice, from providers of financial capitals in the <IR> Framework (IAASB 2015; Cheng et al. 2014). For this reason, we believe future research should conduct more detailed studies incorporating a wider sample of investors and promoters of <IR> on the 'other side' or <IR> reporting practice (e.g., IIRC institutional members or <IR> supporters). It is necessary to see how <IR> is going to evolve and attempt to obtain wider legitimacy, how widely it will be accepted into the market and how we can develop new assurance methodologies.

Second, practitioners called for research into additional and special guidance for assuring qualitative information. In particular, practitioners have to face further issues related to their technical skills in assuring forward-looking and strategic information at the basis of integrated reports (Maroun 2018). They require principle-based guidance for all forms of non-financial information, for both mandatory (e.g., information included in the management report) and voluntary reporting. In August 2015, IAASB started moving in this direction by releasing the paper "*Supporting Credibility and Trust in emerging forms of External Reporting: ten key challenges for Assurance Engagements*" in response to the demand for supporting credibility and trust and the need for more flexibility in assurance services (IAASB 2015, p. 6). Further investigation of the respondents' opinions is an important part of the <IR> research agenda moving forward.

Acknowledgement We would like to thank Dale Tweedie from Macquarie University for his help, guidance and insightful suggestions.

Appendix 1: Questionnaires

Practitioner and Academic Perspective

Introduction questions:

1. Interviewee's background on years of experience and his role in current position
2. Interviewee's experience in Integrated Reporting and sustainability field.

1. **Understand the role of assurance in IR context and non-financial disclosure**
   (a) What role does assurance play in non-financial reporting?
   (b) Who are considered principal users of assurance on non-financial reporting? How can assurance impact on their decision?
   (c) Some studies suggest that companies only use assurance to enhance their reputation and legitimacy. Can you provide your view/opinion? What are the impacts on companies that adopt assurance on non-financial and voluntary reporting?
   (d) Companies in <IR> report supposedly disclose their value-creation story adopting a more strategic-focus and forward-looking approach. Which consequences could this approach have for assurance practice? How auditors and consultants themselves determine most appropriate audit methodologies in relation to narrative and forward-looking information?
   (e) How these approaches ensure reliable and useful information for investors' decision making processes?

2. **Materiality and reliability of information provided in IR and SR**
   (a) What material information IR should provide compared to Financial and Sustainability Reporting?
   (b) Who should be the principal addressee of assurance process for non-financial reporting and <IR>?
   (c) Which are the current practises in non-financial reporting about stakeholders' (included investors) engagement?
   (d) The IR differs from other traditional reports for its conciseness. Which consequences does conciseness have in relation to providing complete information to capital providers? Are they considered sufficient for investment decisions?

3. **Assurance standards for non-financial information**
   (a) Which audit standards are used for non-financial information in Sustainability Reporting? Do you see these as sufficient to ensure the reliability of information and enhance the trust of report users?
   (b) Is there a need for new audit standards for IR? If so, what should these standard include?
   (c) Who should the standards be applicable to?

Conclusion

1. What do you see as the key challenges in the IR assurance moving forward? How can they be resolved?
2. Any issues you think we should have covered but haven't?

Investor Perspective

1. **Role of non-financial reporting in investors' decision-making process and role of assurance**
   (a) What are investors' primary sources of corporate disclosures for non-financial information?
   (b) Some studies suggest that companies only use assurance in SR and IR to enhance their reputation and legitimacy. Can you provide your view/opinion?
   (c) How much faith and confidence do they put in non-financial reporting?
   (d) Companies in <IR> report supposedly adopt a "storytelling" and a forward-looking approach. Which consequences could this approach have for investors' decision making processes?
   (e) How could assurance of non-financial disclosure affect investor's decisions?
2. **Materiality and reliability of information provided in IR and SR**
   (a) From investors' perspective, what information is material to IR compared to Sustainability and Financial Reporting?
   (b) How important is it to include investors in IR materiality process?
   (c) As part of IIRC Investors Network, which are the expectation of your company in being included in this network? What are the purposes of the network? The IR differs from other traditional reports in requiring conciseness. What is investors' view of whether concise integrated reports can provide useful and complete information?
3. **Assurance standards for non-financial information**
   (a) What are investors' perceptions of the current assurance methodologies and standards in non-financial disclosure? Are these sufficient to guarantee reliable information?

References

Abdifatah, A. H., & Mutalib, A. (2016). Audit committee and integrated reporting practice: Does internal assurance matter. *Managerial Auditing Journal, 31*(8/9), 915–948. https://doi.org/10.1108/MAJ-12-2015-1293.

Adams, C. (2013). Sustainability reporting and performance management in universities: Challenges and benefits. *Sustainability Accounting, Management and Policy Journal, 4*(3), 384–392.

Adams, C. A. (2015). The international integrated reporting council: A call to action. *Critical Perspectives on Accounting, 28*, 23–28. https://doi.org/10.1016/j.cpa.2014.07.001.

Adams, C. A., Potter, B., Singh, P. J., & York, J. (2016). Exploring the implication of integrated reporting for social investment (disclosure). *The British Accounting Review, 48*, 283–296. https://doi.org/10.1016/j.bar.2016.05.002.

Ahmed Haji, A., & Anifowose, M. (2016). Audit committee and integrated reporting practice: Does internal assurance matter? *Managerial Auditing Journal, 31*(8/9), 915–948.

Beck, C., Dumay, J., & Frost, G. (2015). In pursuit of a "Single source of truth": From threatened legitimacy to integrated reporting. *Journal of Business Ethics, 141*(1), 191–205.

Beck, C., Dumay, J., & Frost, G. (2017). In pursuit of a 'single source of truth': From threatened legitimacy to integrated reporting. *Journal of Business Ethics, 141*(1), 191–205.

Bepari, M. K., & Mollik, A. T. (2016). Stakeholders' interest in sustainability assurance process: An examination of assurance statements reported by Australian companies. *Managerial Auditing Journal, 31*(6/7), 655–687. https://doi.org/10.1108/MAJ-06-2015-1208.

Chartered Institute of Internal Auditors. (2015). *The role of internal audit in non-financial and integrated reporting*. London: Chartered Institute of Internal Auditors.

Cheng, M., Green, W., Conradie, P., Konishi, N., & Romi, A. (2014). The international integrated reporting framework: Key issues and future research opportunities. *Journal of International Financial Management & Accounting, 25*(1), 90–119.

Cohen, J. R., & Simnett, R. (2015). CSR and assurance services: A research agenda. *Auditing: A Journal of Practice & Theory, 34*(1), 59–74. https://doi.org/10.2308/ajpt-50876.

de Villiers, C., Rinaldi, L., & Unerman, J. (2014). Integrated reporting: Insights, gaps and an agenda for future research. *Accounting, Auditing & Accountability Journal, 27*(7), 1042–1067. https://doi.org/10.1108/AAAJ-06-2014-1736.

Demartini, C., & Trucco, S. (2017). *Integrated reporting and audit quality*. Cham: Springer.

Dowling, J., & Pfeffer, J. (1975). Organizational legitimacy: Social values and organizational behavior. *The Pacific Sociological Review, 18*, 122–136.

Dumay, J., Frost, G., & Beck, C. (2015). Material legitimacy blending organisational and stakeholder concerns through non-financial information disclosures. *Journal of Accounting & Organizational Change, 11*(1), 2–23. https://doi.org/10.1108/JAOC-06-2013-0057.

Dumay, J., Bernardi, C., Guthrie, J., & Demartini, P. (2016). Integrated reporting: A structured literature review. *Accounting Forum, 40*(3), 166–185.

Dumay, J., Bernardi, C., Guthrie, J., & La Torre, M. (2017). Barriers to implementing the international integrated reporting framework: A contemporary academic perspective. *Meditari Accountancy Research, 25*(4), 461–480.

Dumay, J., De Villiers, C., Guthrie, J., & Hsiao, P.-C. (2018). Thirty years of AAAJ: A critical study of the journal's articles impact. *Accounting, Auditing & Accountability Journal, 31*(5), 1510–1541.

Eccles, R. G., Krzus, M. P., & Watson, L. A. (2012a). *Integrated reporting requires integrated assurance*. Retrieved from http://www.financepractitioner.com/auditing-best-practice/integrated-reporting-requires-integrated-assurance?page=1

Eccles, R. G., Krzus, M. P., Rogers, J., & Serafeim, G. (2012b). The need for sector-specific materiality and sustainability reporting standards. *Journal of Applied Corporate Finance, 24*(2), 65–71.

Flower, J. (2015). The international integrated reporting council: A story of failure. *Critical Perspectives on Accounting, 27*, 1–17. https://doi.org/10.1016/j.cpa.2014.07.002.

GRI. (2013a). *G4 sustainability reporting guidelines.* Global Reporting Initiative.

GRI. (2013b). *The external assurance of sustainability reporting.* Global Reporting Initiative.

Gürtürk, A., & Hahn, R. (2015). An empirical assessment of assurance statements in sustainabilityreports: Smoke screens or enlightening information? *Journal of Cleaner Production*, 1–12. https://doi.org/10.1016/j.jclepro.2015.09.089.

Guthrie, J., Cuganesan, S., & Ward, L. (2007). Legitimacy theory: A story of reporting social and environmental matters within the Australian food and beverage industry. *5th Asian Pacific Interdisciplinary Research in Accounting (APIRA) Conference*.

IAASB. (2014). *Response to the IIRC's discussion papers "Assurance on Integrated Reporting"*.
IAASB. (2015). *Working group publication: Exploring assurance on integrated reporting and other emerging developments in external reporting*. International Auding and Assurance Standards Board.
IAASB. (2016). *Supporting credibility and trust in emerging forms of external reporting*. International Auditing and Assurance Standards Board (IAASB).
ICAEW. (2008). *Assurance on non-financial information existing practices and issues*. Institute of Chartered Accountants in England and Wales, Audit and Assurance Faculty.
IIRC. (2013). *The international <IR> framework*. International Integrated Reporting Council.
IIRC. (2014a). *Assurance on <IR>. An exploration of issues.*
IIRC. (2014b). *Assurance on <IR>: An introduction to the discussion.*
IIRC. (2015). *Assurance on <IR>. Overview of feedback and call to action.*
Jensen, J. C., & Berg, N. (2012). Determinants of traditional sustainability reporting versus integrated reporting. An institutionalist approach. *Business Strategy and the Environment, 21*, 299–316. https://doi.org/10.1002/bse.740.
Jones, P., Comfort, D., & Hillier, D. (2016a). Managing materiality: A preliminary examination of the adoption of the new GRI G4 guidelines on materiality within the business community. *Journal of Public Affairs, 16*(3), 222–230. https://doi.org/10.1002/pa.1586.
Jones, P., Hillier, D., & Comfort, D. (2016b). Materiality and external assurance in corporate sustainability reporting: An exploratory study of Europe's leading commercial property companies. *Journal of European Real Estate Research, 9*(2). https://doi.org/10.1108/JERER-07-2015-0027.
KPMG. (2012). *Integrated reporting. Performance insight through better business reporting*. Retrieved from kpmg.com/integratedreporting
Manetti, G., & Becatti, L. (2009). Assurance services for sustainability reports: Standards and empirical evidence. *Journal of Business Ethics, 87*, 289–298. https://doi.org/10.1007/s10551-008-9809-x.
Maroun, W. (2018). Modifying assurance practices to meet the needs of integrated reporting: The case for 'interpretive assurance'. *Accounting Auditing & Accountability Journal.* https://doi.org/10.1108/AAAJ-10-2016-2732.
Maroun, W., & Atkins, M. (2015). *The challenges of assuring integrated reports: Views from the South African auditing community.* ACCA (Association of Chartered Certified Accountants).
Michelon, G., Pilonato, S., & Ricceri, F. (2015). CSR reporting practices and the quality of disclosure: An empirical analysis. *Critical Perspectives on Accounting, 33*, 59–78. https://doi.org/10.1016/j.cpa.2014.10.003.
Milne, M. J., & Gray, R. (2013). W(h)iter ecology? The trible bottom line, the global reporting initiative, and corporate sustainability reporting. *Journal of Business Ethics, 118*, 13–29. https://doi.org/10.1007/s10551-021-1543-8.
Mio, C. (2013). Materiality and assurance: Building the link. In C. Busco, M. L. Frigo, A. Riccaboni, & P. Quattrone (Eds.), *Integrated reporting: Concepts and cases that redefine corporate accountability* (pp. 79–94). Cham: Springer.
Monciardini, D., Dumay, J., & Biondi, L. (2016). *Integrated reporting and EU law. Competing, converging or complementary regulatory frameworks*? SMART conference 'Life-cycle based management and reporting for sustainable business'. 2017–23. University of Oslo Faculty of Law Legal Studies Research Paper Series.
Mori Junior, R., Best, P. J., & Cotter, J. (2014). Sustainability reporting and assurance: A historical analysis on a world wide phenomenon. *Journal of Business Ethics, 120*, 1–11. https://doi.org/10.1007/s10551-013-1637-y.
O'Dwyer, B., & Owen, D. L. (2005). Assurance statement practise in environmental, social and sustainability reporting: A critical evaluation. *The British Accounting Review, 37*, 205–229. https://doi.org/10.1016/j.bar.2005.01.005.
O'Dwyer, B., Owen, D., & Unerman, J. (2011). Seeking legitimacy for new assurance forms: The case of assurance on sustainability reporting. *Accounting, Organizations and Society, 36*, 31–52. https://doi.org/10.1016/j.aos.2011.01.002.

Park, J., & Brorson, T. (2005). Experiences of and views on third-party assurance of corporate environmental and sustainability reports. *Journal of Cleaner Production, 13*, 1095–1106. https://doi.org/10.1016/j.jclepro.2004.12.006.

Perego, P., & Kolk, A. (2012). Multinational accountability on sustainability: The evolution of third-party assurance of sustainability reports. *Journal of Business Ethics, 110*, 173–190. https://doi.org/10.1007/s10551-012-1420-5.

Qu, S. Q., & Dumay, J. (2011). The qualitative research interview. *Qualitative Research in Accounting & Management, 8*(3), 238–264. https://doi.org/10.1108/11766091111162070.

Rensburh, R., & Botha, E. (2014). Is integrated reporting the silver bullet of financial communication? A stakeholder perspective from South Africa. *Public Relation Review, 40*, 144–152. https://doi.org/10.1016/j.pubrev.2013.11.016.

Ritchie, J., & Lewis, J. (2003). *Qualitative Research Practice*. London: Sage.

Simnett, R., & Huggins, A. L. (2015). Integrated reporting and assurance: Where can research add value? *Sustainability Accounting Management and Policy Journal, 6*(1), 29–53. https://doi.org/10.1108/SAMPJ-09-2014-0053.

Simnett, R., Zhou, S., & Hoang, H. (2016). Assurance and other credibility enhancing mechanisms for integrated reporting. In C. Mio (Ed.), *Integrated reporting: A new accounting disclosure* (pp. 269–284). London: Palgrave Macmillan.

Slack, R., & Campbell, D. (2016). *Meeting users' information needs: The use and usefulness of integrated reporting*. London: Association of Chartered Certified Accountants (ACCA).

Stubbs, W., & Higgins, C. (2014). Integrated reporting and internal mechanism of change. *Accounting, Auditing & Accountability Journal, 27*(7), 1068–1089. Retrieved from http://hdl.handle.net/10536/DRO/DU:30066414.

Suchman, M. C. (1995). Managing legitimacy: Strategic and institutional approaches. *Academy of Management Review, 20*(3), 571–610.

Tregidga, H., Milne, M., & Kearins, K. (2006). *Organisational legitimacy and social and environmental reporting research: The potential of disclosure analysis*. 5th Australian Conference on Social and Environmental Accounting Research.

Tweedie, D., & Martinov-Bennie, N. (2015). Entitlements and time: Integrated reporting's double-edged agenda. *Social and Environmental Accountability Journal, 35*(1), 49–61. https://doi.org/10.1080/0969160X.2015.1007466.

Van Teijlingen, E. R., & Hundley, V. (2001). *Social research update: The importance of pilot studies* [online]. Retrieved from March 2018 http://sru.soc.surrey.ac.uk/SRU35.html

Velte, P., & Stawinoga, M. (2017). Empirical research on corporate social responsability assurance (CSRA): A literature review. *Journal of Business Economics, 87*(8), 1017–1066.

Wong, R., & Millington, A. (2014). Corporate social disclosures: A user perspective on assurance. *Accounting, Auditing & Accountability Journal, 27*(5), 863–887. https://doi.org/10.1108/AAAJ-06-2013-1389.

Yin, R. (2014). *Case study research*. London: Sage.

Zhou, S., Simnett, R., & Hoang, H. (2016). *Combined assurance as a new assurance approach: Is it beneficial to analysts?* In 26th Audit and Assurance conference - Thursday 5 May 2016. Said Business School, University of Oxford, Oxford, UK.