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AUD024 Integrating reporting practices and King III vs King IV: Combined assurance

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ABSTRACT:

The objective of this paper is twofold: it aims, firstly to provide evidence on the <IR> practices at the top 20 listed companies in South Africa based on King III. Secondly, it aims to investigate the changes required in the current integrated reports based on King III to take into consideration the requirements of the new King IV, specifically focusing on the combined assurance model. With the release of the new corporate governance code, King IV comes the increased focus on combined assurance and integrated reporting. Furthermore, greater emphasis will be placed on providing assurance on the reliability of external reporting. The ability of the combined assurance model to provide assurance on the integrated report will greatly depend on the value placed on this model by the governing body.

Due to the lack of academic research, dealing directly with the combined assurance model, an exploratory research design was followed. The paper takes the form of qualitative study through content analysis of the integrated reports of the top 20 companies listed on the Johannesburg Securities Exchange (JSE) as at 31 December 2015.

The main findings where that a majority of the JSE top 20 who produced an integrated report referred to the combined assurance model but did not explain the application of the model in the business. Furthermore, the companies did not indicate who was involved in the different lines of defence in terms of the combined assurance model; however, only a few stated who was involved in the credibility of the integrated reports. The reporting of the companies' combined assurance practices varies from excellent where the whole model was reported on to poor consisting of a one sentence mention of its existence. These findings provide support for the recommended practices of King IV that each company should design and implement a combined assurance model to cover risks and material matters. Furthermore, these findings shed new light into the exploration and development of assurance and other credibility-enhancing mechanisms for <IR>, of interest to both the International Integrated Reporting Council (IIRC) and the International Auditing and Assurance Standards Board (IAASB) Integrated Reporting Working Group.

Key words: Combined Assurance, Integrated Report, King IV, King III.

1. INTRODUCTION

The 2008 global financial crisis and the collapse of companies indicated that traditional annual reporting no longer sufficiently addresses risks, regardless of the length and complexity of these reports (WBCSD, 2014). To address the traditional annual reporting concerns the King III report introduced the concept of Integrated Reporting, (with the generally accepted acronym <IR>) to increase the trust and confidence of its stakeholders and the legitimacy of its operations (IoD, 2009). <IR> is a market-led response to the need for evolution in corporate reporting in terms of which companies demonstrate their accountability to stakeholders (Adams, 2015; Flower, 2015). The reporting model that organisations are using does not take into account major emerging trends that change the way in which organisations are conducting business, are creating value and are expected to report (IIRC, 2011).

Since King III introduced the concept of <IR> to South Africa in 2009, the understanding of <IR> evolved significantly (Deloitte, 2016). The international development of <IR> contributed to the paradigm shift of silo reporting to <IR> in the corporate world. In addition, the development of <IR> also contributed to one of the concepts that form part of the King IV philosophy: integrated thinking (Deloitte, 2016; IoD, 2016). King IV is written through the lens of the six capitals as set out in the IIRC framework that is financial, manufactured, human, intellectual, natural and social and relationship capital (IoD, 2016). Furthermore as mentioned in King IV's framework it includes the "three shifts" in terms of global economic governance, from financial capitalism to inclusive capitalism, from short-term capital markets to long-term sustainable capital markets, and from silo-reporting to <IR> (IoD, 2016). These three shifts formed the foundation of King IV (IoD, 2016). For this paper's purpose, the shift from silo reporting to <IR> will be focused on. Accordingly, one of the changes that the latest King IV report focuses on is the positioning of the integrated annual report as the first reference point for stakeholders to understand how the organisation creates value (IoD, 2016). Furthermore, the thinking of an integrated report has evolved since its introduction in King III and had to be brought in line with the International Integrated Reporting Council (IIRC) framework's concepts and principles (Deloitte, 2016).

King III also introduced the concept of a 'combined assurance model' (IoD, 2009). The introduction of combined assurance was to reduce duplications in audit processes through better coordination of the assurance providers. In addition, the combined assurance model's objective is to enhance the assurance coverage obtained from the three lines of defence in King III, which is management, internal assurance providers and external assurance providers (IoD, 2009). With the release of King IV - the combined assurance concept expanded to incorporate all assurance services. King IV, that is also principles-based, does not prescribe the design of the combined assurance model but makes provision for the governing body to exercise judgment in this regard (IoD, 2016). It is important that credibility-enhancing mechanisms be implemented to ensure that reliance can be placed on the integrated reports (IAASB 2016). Without such mechanisms, there is the possibility for these reports to be nothing more than marketing or greenwash documents. King IV, introduces the importance of the combined assurance model in achieving credibility over the integrated report (Deloitte, 2016).

There is a growing body of research that examines the development, the pioneers of integrated reporting and regulatory developments (De Villiers, Rinaldi & Unerman, 2014; Simnett & Huggins, 2015; Steyn, 2014). Cheng, Green, Conradie, Konishi and Romi (2014) highlighted several key issues regarding <IR>, one being assurance on integrated reports. Other studies have explored the research opportunities within the integrated report (De Villiers et al., 2014). Yet theoretical and empirical studies on the assurance of the integrated report are limited. Most of our extant knowledge of assurance on integrated reports is limited to archival analysis to identify where research can add value (Simnett et al., 2015). Other relevant studies, including best practice awards, trends followed by companies as well as the benefits and challenges with regards to integrated reporting, were conducted by practitioners (Nkonki Incorporated, 2015, Nkonki Incorporated 2016, Integrated Reporting & Assurance Services, 2015), but also big four accounting firms (KPMG, 2015; PricewaterhouseCoopers, 2013; PricewaterhouseCoopers, 2015; Deloitte, 2012; Ernst & Young, 2015, Ernst & Young, 2016).

What has not, however, been researched is how companies are reporting on assurance in the integrated reports, specifically focusing on combined assurance. So far, little is known about the implementation of combined assurance. Furthermore, the impact that King IV will have on the integrated reports has also not been addressed, due to King IV being new. As a result, the objective of this paper is twofold. Firstly, it aims, to provide evidence on the <IR> practices of the top 20 listed companies in South Africa based on King III. Secondly, it aims to investigate the changes required in the current integrated reports based on King III to take into consideration the requirements of the new King IV, specifically focusing on the combined assurance model. The objectives where tested using a qualitative content analysis approach to determine the <IR> and combined assurance disclosure.

The next section of this paper provides the theoretical framework for the study. The paper continues by explaining the methodology applied to the research, discusses the empirical findings and deductions, identifies the limitations of the research and provides recommendations for future research. Conclusions are presented in the last section.

2. THEORETICAL FRAMEWORK

INTEGRATED REPORTING AND SOUTH AFRICA

The IIRC was formed in July 2010 to deal with <IR> globally. After three years of development, the International <IR> framework was released in December 2013 (IIRC, 2013). The integrated report is a single report that the IIRC, anticipates, will become an organisation's primary report (IRC, 2011; IIRC, 2011). However, due the evolution of corporate reporting, companies are currently reporting non-financial information in stand-alone reports or within a separate section of the annual report (Eccles & Krzus 2010; GRI, 2013a). Although there are several authors (Adams, Fries & Simnett, 2011; Ballou, Casey, Grenier & Heitger 2012; Jensen & Berg, 2012; Porter & Kramer, 2011) who welcome the integration of non-financial and financial performance, there are researchers and organisations who express their doubts on the practical implementation of <IR> (Setia, Abhayawansa, Joshi & Huynh, 2015). One of these organisations that expressed its doubts is KPMG (2012), which argues that the full adoption of <IR> is a journey of three to five years for many organisations.

South Africa was a pioneer in the development and mandating of <IR>, through the JSE listing requirements. As a result, the IRC's discussion paper for <IR>, issued in 2011 was the first venture globally to provide guidance on <IR>. Accordingly, companies listed on the JSE were required to adopt <IR>; using the IRC discussion paper as guidance until the IIRC framework was issued. Due to the similarities between the IRC and the IIRC framework, the

IRC announced its endorsement of the published framework on 18 March 2014 (IRC, 2015). Although there are, several differences between the two <IR> frameworks, they are complementary rather than conflicting (Anifowose, 2016). The Global Reporting Initiative (GRI) welcomed the publication of the IIRC's framework as an opportunity to integrate sustainability disclosures into other aspects of business performance that outlines the drivers and risks of an organisation's value (GRI, 2013b).

South Africa is one of the countries that are leading <IR> initiatives (Simnett et al., 2015; KPMG, 2015). The South African companies also had to prepare integrated reports before the IIRC issued its framework, contributing to the unique context for researching the integrated reports. Furthermore, the governing body of the company have discretion as to which principles of the new King IV to apply, however, highlighting one of the major changes in King IV from King III is the philosophy of "apply or explain" to "apply and explain" the governing body will have to provide and explanation as well. Therefore, the discretion of disclosure that the companies have, and the history of <IR> in South Africa makes South Africa, an interesting context in which to analyse integrated reports.

THE KING CODE OF GOVERNANCE

The King Committee was established by the Institute of Directors in Southern Africa (IoD) in 1994 with the objective of creating a code on corporate governance and providing periodic updates and guidance. The establishment of the King Committee coincided with the social and political change at the time with the emergence of democracy and the re-admission of South Africa into the world economy (IoD, 2002), as well as the increasing momentum of corporate governance worldwide following the release of the Cadbury Report (West, 2009). Mervyn King S.C., a former High Court judge, was appointed as the chairperson of the King Committee responsible for publishing the first King Report (King I), as well as the revised reports, namely King II, King III and King IV. The release of the latest King report, King IV, in November 2016 proves that corporate governance practices are a continuously developing process (IoD, 2016).

The current corporate governance report, namely King IV, came into effect on 1 April 2017. Its release is attributable to the international outlook that advocates greater accountability and transparency towards the broader stakeholder within a broader society (Deloitte, 2016). In the forward of the King IV report, Mervyn King explains that ethical leadership, sustainable development, integrated thinking, corporate citizenship, organisation's role and responsibility in society and stakeholder inclusivity, are the concepts that form the cornerstone of King IV (Deloitte, 2016; IoD, 2016). The preceding concepts are based on three paradigm shifts in the corporate world consisting of financial capitalism to inclusive capitalism, from short-term capital markets to long-term sustainable capital markets, and from silo reporting to <IR> (IoD, 2016).

King IV replaced the "apply or explain" approach of King III with the "apply and explain" approach (IoD, 2016). Furthermore, the 75 principles of King III have been reduced to 17 principles, applying a principle-and-outcomes based approach, compared to the tick-box approach (Deloitte, 2016). The principle-and-outcomes based approach aims to achieve the specific four good governance outcomes, being ethical culture, good performance, effective control and/or legitimacy, by application of the principles set out in King IV (Deloitte, 2016; IoD, 2016). Therefore, any organisation can apply the principles by providing an explanation on how they are achieving the outcomes (IoD, 2016). The explanation should be narrative, demonstrating the practices that were followed whilst applying the principles (Deloitte, 2016, IoD, 2016). The thinking behind “apply and explain” is to demonstrate that corporate governance should not be an act of mindless compliance. When corporate governance is applied attentively and considerately, it will yield positive results (IoD, 2016).

ASSURANCE ON INTEGRATED REPORTING

As <IR> is evolving, the need for the integrated report to be credible and reliable is also growing. Measures should, therefore, be implemented to ensure that reliance could be placed on these integrated reports (IIRC, 2015a). A recent study determined that 81 percent of respondents to the IIRC’s public consultation phase agreed that there was a need for external assurance of an integrated report (either on the whole report or specific aspects) (Simnett et al., 2015). In addition, these respondents confirmed that assurance was a fundamental mechanism for ensuring reliability and enhancing credibility (IIRC, 2015a; IIRC, 2015b). This is further emphasised in a study based on interviews conducted with South African institutional investors that found that integrated reports require assurance and that a framework should be developed for the necessary assurance process (Atkins & Maroun, 2014). To illustrate that this issue remains contentious, even after the IIRC issued its framework in December 2013, the IIRC(2014a, 2014b) issued two discussion papers dealing with assurance on <IR> in 2014.

In these discussion papers, the IIRC (2014b) states that the importance of assurance with respect to <IR> is addressed from the perspectives of three groups of stakeholders within the reporting environment being the users, preparers and assurance practitioners. Assurance enhances the credibility of reported information on which users place reliance (Mammatt, 2009; Marx & van Dyk, 2011; O’Dwyer & Owen, 2007; Simnett et al., 2015). Assurance by an independent third party can provide confidence to those charged with governance on the integrity and completeness of the reported information prepared by management (IIRC 2014b). Finally, the IIRC states that assurance practitioners will require guidance on how to perform an assurance engagement specific to an integrated report or the process of preparing an integrated report to meet the needs of the stakeholders. (IIRC, 2015b)

The IIRC framework provides a principle-based approach to preparing an integrated report in contrast to many established financial reporting frameworks that establish both measurement and increase prescriptive reporting standards (IIRC, 2014b). As a result, the actual disclosures within integrated reports are likely to vary significantly from organisation to organisation. Each organisation will report only that information which is relevant to itself and possibly deliberately excludes the information that will place the organisation in an unfavourable light (IIRC, 2014b). Such a level of flexibility requires an increased level of judgement by both the preparer in assessing what is to be included in the integrated report, and the assurance practitioner in assessing the reliability of the integrated report (IIRC 2014b).

Since <IR> is in the embryonic phase there are numerous research opportunities regarding assurance on the integrated report as identified by several authors (Adams, 2015; Cheng et al., 2014; De Villiers et al., 2014; Simnett et al., 2015). De Villiers et al. (2014) specifically identified the assurance of integrated reports as an important area of improvement for the successful implementation of the <IR>. Similarly, Simnett et al. (2015:46) confirms that research on assurance on integrated reports has the ability to “challenge conventional wisdom regarding assurance". Likewise, it is acknowledged that there are ways other than the traditional assurance to improve the credibility of the integrated reports, and that alternative mechanisms may have a greater effect if utilised and coordinated properly (IIRC 2015b; IAASB 2016; IoD, 2016).

The release of King IV introduces the importance of the combined assurance model in achieving credibility over the integrated report. King IV highlights the importance of assurance over external reporting and states that the responsibility of providing the necessary oversight over this process lies with the board/ audit committee (IoD, 2016).

2.3.1 COMBINED ASSURANCE

King III defines combined assurance as "integrating and aligning assurance processes in a company to maximise risk and governance oversight and control efficiencies, and optimise overall assurance to the audit and risk committee, considering the company's risk appetite" (IoD, 2009:117). Combined assurance should be used as an extra governance measure preventing any risks and key controls from being overlooked by assurance. Accordingly, organisations need to find a solution of coordinating assurance across the three different lines of defence. Although King III first introduced combined assurance, numerous organisations use the three lines of defence concept (ECIIA and FERMA, 2010) to group the assurance providers together to address risks appropriately as required by the board and stakeholders.

The first line of defence includes operational management and internal control (ECIIA and FERMA, 2010). This can be broken down into strategy implementation, performance measurement, risk management, and other control and governance processes (PWC, 2010). The second and third line of defence primarily provides assurance. The second line of defence includes risk and legal based assurance (PWC, 2010). The risk management function should effectively be a robust risk management framework within which the entity's policies and minimum standards are set, where oversight and on going challenging of risk management performance and reporting will be achieved. Included in this line of defence are other specific monitoring functions like legal, compliance, health and safety and quality assurance (ECIIA and FERMA, 2010; PWC, 2010). The third line of defence includes independent assurance and involves assurance of the adequacy and effectiveness of risk management, governance, and internal control within the entity as established by the first and second lines of defence (PWC, 2010).

To illustrate the significance of combined assurance, King IV, advocates the combined assurance model that was first introduced in King III, but expands the concept of the three lines of defence to include all assurance role players. King IV (IoD, 2016: recommended practice 40-43) requires that the Board ensures that a "combined assurance model is designed and implemented to cover the organisation's significant risks and material matters adequately through a combination of a number of assurance services and functions". King IV sets out the following functions and services that should be included in the combined assurance model.

a. "the organisation's line functions that own and manage risks,
b. the organisation's specialist functions that facilitate and oversee risk management and compliance,

c. internal auditors, internal forensic fraud examiners and auditors, safety and process assessors and statutory actuaries,

d. independent external assurance service providers such as external auditors,

e. other external assurance providers such as sustainability and environmental auditors or external actuaries, and external forensic fraud examiners and auditors and lastly

f. regulatory inspectors" (IoD, 2016).

The King IV combined assurance model ultimately emphasises that assurance is not all about defence but about reinforcing the integrity of reports for decision-making, by having an effective control environment (IoD, 2016). King IV requires that the audit committee should oversee the activities of combining, co-ordinating and aligning of assurance across the various lines to ensure that the assurance has the suitable depth (IoD, 2016). The correct alignment of these activities will create an environment for effective control as well as have a positive effect on the integrity of reports.

King IV does include a whole chapter on governance and functional areas that include a principle that deals solely with assurance. Principle 15 states that "the governing body should ensure that assurance services and functions enable an effective control environment, and these support the integrity of information for internal – decision making and of the organisation's external reports" (IoD, 2016). This principle includes recommended practices on combined assurance, internal audits, and assurance on external reports. Furthermore, recommended practice 47 requires that reports published by the organisation other than the financial statements, should disclose a description of the type of assurance applied to each report, accompanied by a statement by the governing body on the integrity of the report (IoD, 2016: Principle 15, recommended practice 47).

In addition to the disclosure requirements of assurance on additional reports as outlined above, recommended practice 47 highlights the audit committee's role regarding the disclosure of the application of the combined assurance model (IoD, 2016), therefore by linking combined assurance with the assurance of other reports. King IV, however, does not include a list or define these other reports. King IV, principle 5, recommended practice 12 does, however, state that the organisation should issue an integrated report at least annually (IoD, 2016).

3. METHODOLOGY

The status of combined assurance practices, based on King III requirements, of <IR> in South Africa were empirically tested by means of a content analysis of the integrated reports of the companies selected for review. The analysis of the King III requirements were compared to the King IV combined assurance requirements and discussed.

The research population is the JSE-listed companies as at 31 December 2015. The delineation is justified by the JSE listing requirement 8.64 that all South African listed companies with financial years ending on or after 1 March 2010 should adopt the King code or explain why they have not done so (JSE, 2011). The population is further justified as this listing requirement positioned South Africa as a global leader in <IR> (Maroun & Solomon 2013). In line with this, South Africa's <IR> environment is well established where the selected companies have had at least five years' experience with the <IR> phenomenon.

On 31 December 2015, there were 395 companies listed on the JSE, with a market capitalisation of R11 trillion. To achieve completeness of the JSE listed companies population, the researcher extracted the data from INET BFA's database[17]. The units of observation include the company's integrated reports.

Sampling in qualitative studies, such as this one, deliberately selects "information rich" (Beaudry & Miller, 2016:41) samples that adequately address the specific phenomenon or event under study, such as assurance on <IR>, and is therefore entirely based on the judgement of the researcher (Beaudry & Miller, 2016). Therefore, given the exploratory nature of this study, the JSE top 20 companies selected was based on purposeful non-probability sampling. Making use of purposeful sampling allowed the researcher to choose a specific group of informants (Bernard, 2000). Additionally, it provided better in-depth, rich findings compared to other probability sampling methods (Cohen, Manion & Morrison, 2011).

This study examines the top 20 companies (based on market capitalisation) as the slack resource theory suggests that large companies are more likely to have the resources that can be used to send a credible signal to address the social, economic and environmental concerns of stakeholders, (Ackers, 2009; CorporateRegister, 2008, Qi, Zeng, Shi, Meng, Lin & Yang, 2014). Although the sample selected represented only 5% of the JSE-listed companies, the companies represented 71% of the total JSE market capitalisation as at 31 December 2015. This further justifies the sample selected as it represents a significant part of the total wide spectrum of stakeholder's interest in South Africa. Refer to Annexure A for a list of these companies.

The qualitative data analysed include the integrated reports extracted from the company's website. The company documents were collected and saved in a portable document format (pdf), the documents were numbered sequentially and imported into Atlas.ti, the Computer Assisted Qualitative Analysis software. Atlas.ti was used to store, organise, manage, reconfigure (Saldana, 2009) and systematically analyse the themes hidden in the unstructured qualitative data that is known as coding. Content analysis is recognised in the literature as a research instrument for analysing characteristics of a population (Ackers, 2009; Barack & Moloi, 2010), specifically for the purposes of analysing integrated reports (Marx & Mohammadali-Haji, 2014). The recognition of content analysis as a research instrument that can be used to code reports according to categories is further supported by Mouton (2005).

4. RESEARCH FINDINGS AND INTERPRETATION

The objective of this section of the paper is to provide empirical evidence of the status and combined assurance practices, based on King III requirements, of integrated reporting in South Africa. The analysis of the King III requirements were compared to the King IV combined assurance requirements and discussed.

4.1 Type of reporting

The objective of this part of the analysis was to establish how many of the top 20 JSE listed companies produced an integrated report. Secondly, it was aimed to establish if the basis used in preparing the integrated report was explained and finally to establish the title of the integrated reports. Table 1 summarises the top 20 companies that produced an integrated

[17] Accessed on 19/08/2016 at http://0-expert.inetbfa.com.oasis.unisa.ac.za/

report. The data that consists of the 2015 integrated and annual reports of the companies were collected from the respective companies' website.

Table 1 Integrated reporting disclosure

Type	Number of top 20 JSE listed companies	% of top 20 JSE listed companies
Issued a standalone integrated report	13	65.0
Issued an annual report containing an integrated report	1	5.0
Issued an annual report	6	30.0
Total	**20**	**100.0**

The above findings indicate that a majority of the JSE top 20 companies issued an integrated report (65%). This percentage is considerably higher when compared to the Marx and Mohammadali-Haji's (2014) study that found only 7.5 % of JSE top 40 companies produced a stand-alone integrated report in 2014. This increase in the issuing of stand-alone integrated reports suggests that more companies are adopting the IIRC framework.

One of the companies produced an annual report that included the integrated report. Thirteen of the 20 companies, which are primarily listed on the JSE, prepared an integrated report, compared to only one of the cross-listed companies that prepared an integrated report. The companies that continue to title their reports "annual report" do so because they have primary listings on the London Stock Exchange or on the Swiss Stock Exchange, where the concept of <IR> is not as well established as in South Africa. This is in line with the findings of Ernst & Young (2015). In addition, the JSE listing requirements (JSE, 2011) allows the requirements of the primary exchange to take precedence; hence, <IR> is not a requirement for companies where the primary listing is not on the JSE, if the primary stock exchange does not require this. The companies that did not produce an integrated report also did not refer to the IIRC framework or King III in the annual reports, refer to findings in Table 2. However, while six of the reports do not explicitly state that it is not an "integrated report" and do not make reference to the IIRC framework, it still includes many of the principles of <IR>. Five of the companies, where the primary listing is on the London Stock Exchange, were ranked highly during the Ernst & Young Excellence award of 2015. The reason for this is that, since 2014, the companies listed on the London Stock Exchange are required to include a strategic report that shows many similarities to the integrated report within their annual report.

All the companies who did not prepare an integrated report (seven companies), prepared an annual report, compared to most of the companies who prepared an integrated report, that did not issue an additional annual report. This is a significant finding as regulation 8.63 of the JSE regulations require the company to disclose a narrative statement of how it has applied the principles set out in the King Code, in the annual report (JSE, 2011). This finding illustrates that the South African listed companies are viewing their integrated report as the previously known annual report. This finding also suggests that the companies are adopting the IIRC framework.

Table 2 summarises the companies who explained the basis used in preparing the integrated report. The summary consists of the 14 companies as identified in Table 1 that did prepare an integrated report. Only the companies that produced an integrated report was analysed as it was determined through content analysis that the remaining six companies did not refer to King III nor the IIRC framework, and this study is interested in the requirements of King III.

Table 2 Basis of preparation explained in integrated report

	Number of 14 companies that prepared and integrated report		%	
	Yes	No	Yes	No
Basis of preparation explained in integrated report.	**14**	**0**	**100.0**	**0**

Source Own research

The above findings indicate that the basis used in preparing the integrated report was explained in all the companies that prepared an integrated report. The basis of preparation of the integrated report mostly referenced to the IIRC, with fewer referenced to King III, the Companies Act, JSE regulations, Global Reporting Initiatives (GRI) and International Financial Reporting Standards (IFRS). One company referred to the South African IRC framework as the framework adopted for the integrated report, even though the IRC endorsed the IIRC's framework. The number of companies reporting on the basis of preparation is considerably higher when compared to the study of Marx and Mohammadali-Haji's (2014), who found only 67.5% of companies explained the basis of preparation. This finding implies that the companies are following the guidance of the IIRC framework and that the companies are more mindful of the format of reporting and communication with their various stakeholders.

Figure 1 illustrates the titles used by the top 20 companies to name the integrated report. As reflected in Figure 1, the use of "integrated report" is the most popular, followed by "annual integrated report" and "integrated annual report". These findings are consistent with that of Nkonki (2016), who found that "integrated report" is the most mature title. The use of "integrated report" indicates that there is only one report that is issued annually and includes all the relevant information in one report. The length of the integrated reports that used "integrated report" as the title was on average 99 pages, where the shortest report was 63 pages and the longest 148 pages. The length of the other reports is on average 238 pages. This finding, therefore, indicates that there is a direct relationship between the length of the report and the name of the report. It was also found that there is a direct relationship between the length of reports and the number of other reports/documents cross-referred to in the integrated report. The reports titled "integrated reports" cross-referred to the most reports/documents; this contributes to the conciseness of the report.

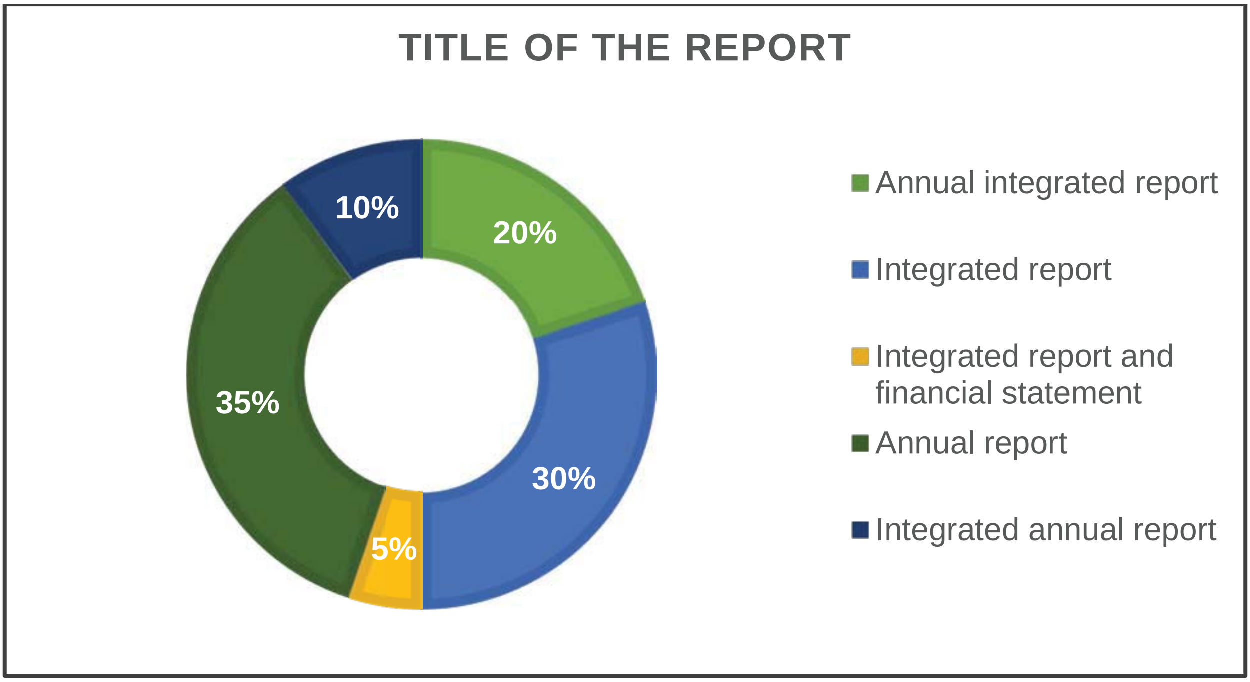

Figure 1: Title of report
Source Own research

The use of "integrated" in the title also suggests that the companies are adopting the IIRC framework. However, three of the 14 companies that prepared an integrated report and used the word "integrated" in the title of the integrated report did not refer to the IIRC Framework as the basis of preparation. This implies that many of the reports that are issued as integrated reports do not necessarily conform to the vision of an integrated report as outlined in the IIRC framework.

King IV states the governing body should oversee that the organisation issues an integrated report on an annual basis. The findings indicate that all the companies whose primary listing is on the JSE did prepare an integrated report. Furthermore, King IV recommends that the format of the integrated report can be a standalone report that connects in a concise manner the detail information of other reports or it can take the form of a prominent and accessible part of another report (IoD, 2016). To add, King IV recommends the use of cross-referencing to avoid duplication (IoD, 2016 page 38). The use of cross-referencing will also contribute to the conciseness of the integrated report.

4.2 Combined assurance

The objective of this aspect of the analysis was to establish, in relation to the top 20 companies, if the implementation of combined assurance was disclosed in the integrated report. Table 3 identifies the number of the top 20 companies that disclosed the existence of combined assurance in the integrated report/ annual report.

Table 3 Reference to combined assurance

Type	Number of top 20 JSE listed companies	% of top 20 JSE listed companies
Refers to combined assurance in integrated report	11	55.0
Refers to combined assurance in other reports	2	10.0
Does not refer to combined assurance	7	35.0
Total	**20**	**100.0**

The existence of combined assurance is identified by searching for the disclosures about it in the company's integrated reports and other suite of reports. Some common wordings about the existence of combined assurance include: "a combined assurance approach has been adopted", "the company has adopted a combined assurance framework", "the group follows an effective combined assurance model in which…". It can be seen from Table 3 that 11 companies (55%) referred to combined assurance in the integrated report. Furthermore, it was found that no cross-listed companies referred to combined assurance. Two of the companies that did not refer to combined assurance in the integrated report, made reference to it in the King report and governance and remuneration report respectively. This finding does not however mean that the companies who do not explicitly refer to their combined assurance model does not have one or does not apply one. The lack of combined assurance does however; confirm the findings of other studies regarding the rare implementation of combined assurance (ECIIA, 2009; Patterson, 2011). The observation that all the companies with their primary listing on the JSE made reference to combined assurance compared to none of the cross-listed companies suggests that the implementation of combined assurance is King III related.

Accordingly, these findings draws attention to King IV that requires the audit committee to disclose the arrangements in place for combined assurance and the committee's views on the combined assurance model's effectiveness (IoD, 2016). The above findings indicate that the disclosure and reporting of combined assurance vary significantly in depth and length ranging from a one-sentence mention of its existence, to a report outlining the complete model specification. This inconsistency in combined assurance reporting is owing to King III that recommends the combined assurance practice but does not provide guidance on the communication of the implementation to report users. The reporting of combined assurance is further analysed in 4.3 Reporting of combined assurance.

King IV states that the governing body has discretion as to where the King IV disclosures will be made, however, King IV does offer examples of where these disclosures should be made. These examples of the reports include the "integrated report, sustainability report, social and ethics committee report, or other online or printed information or reports" (IoD, 2016 page 38). Applying the King IV requirement to the findings, it indicates that the majority of the companies report on the combined assurance practices in the integrated report.

4.3 Reporting of combined assurance

The objective of this aspect of analysis was to establish in relation to the companies who adopted combined assurance, the extent of the combined assurance reporting. The coding scheme used to analyse the extent of the combined assurance reporting was developed using a combination of the King III requirements and the researcher's own elements. Table 4 summarises the reporting of combined assurance analysis of the 13 companies (as identified in Table 3) who adopted combined assurance, based on coding.

Table 4 Extent of reporting of combined assurance

Type	Number of companies who referenced combined assurance		% of companies who referenced combined assurance	
	Yes	**No**	**Yes**	**No**
Did the companies refer to at least three lines of defence?	**7**	**6**	**53.8**	**46.2**
Did the companies articulate who was included in the different lines of defence as outlined in King III?	**3**	**10**	**23.0**	**76.0**
Conclusion made on effectiveness of combined assurance model by those charged with governance	**2**	**11**	**15.4**	**84.6**
Is the combined assurance reporting focused in the integrated report	**3**	**10**	**23.0**	**76.0**

From Table 4 it is evident that six of the companies do not refer to at least three lines of defence as outlined in King III. Three of the companies that referred to the different lines of defence clearly articulated the assurance services and functions that were responsible for each line of defence. Not one of these three companies referred to the lines of defence as outlined in King III in its entirety, being management, internal assurance providers and external assurance providers. This finding indicates that the combined assurance model is not going to be "one size fits all", but where the model will differ between companies. This finding also contributes to the evolution of combined assurance as reflected in King IV.

Where the companies did not refer to the different lines of defence, they reported on several mechanisms to enhance the credibility of the integrated report. The assurance services and functions that where reported on the most, were internal audit and external audit. This finding indicates that the companies still regard internal audit and external audit as the two assurance services that play the most pivotal role in the credibility of the integrated report. Furthermore, this finding confirms what King IV envisages for the role of internal audit in the organisation, being one of the advisors that add value through insight into the activities (IoD, 2016). Three integrated reports mentioned management and external expert service providers as functions to enhance the credibility. Other services and functions that where mentioned to enhance the credibility of the integrated report were the directors, audit and risk committee and the board.

As reflected in Table 2, only 15% of the companies reported on the effectiveness of their combined assurance model. King III requires that the audit committee should ensure that a combined assurance model is applied; additionally, it requires that the audit committee should be responsible for monitoring the appropriateness of the combined assurance model. King IV addresses the shortcoming of the effectiveness of the combined assurance level.

King IV similar to King III also recommends the practice of combined assurance, however, like King III, it does not prescribe the design of the model that should be applied. From the findings, it can be seen that a "one-size fit all" combined assurance model will be difficult to establish. Notwithstanding the absence of a combined assurance design in King IV, it recommends on how to report on the model. King IV recommends that information regarding the type of assurance process applied to each external report should be disclosed in the report. In addition to the recommended practice, it describes what information should be included in this external report assurance disclosure. This information includes:

> "a brief description of the nature, scope and extent of the assurance functions, services and processes underlying the preparation and presentation of the report; and
>
> a statement by the governing body on the integrity and the basis for this statement with reference to the assurance applied" (IoD, 2016 recommendation 51).

Furthermore, King IV recommends that the audit committee report on the arrangements in place as well as the effectiveness of the combined assurance model (IoD, 2016). Based on the above findings it was found that the reporting of the companies' combined assurance practices varies from excellent where the whole model was reported on to poor consisting of a one sentence mention of its existence.

5. RESEARCH LIMITATION AND SUGGESTIONS FOR FUTURE RESEARCH

This study has two specific limitations. Firstly the small sample of the companies to those listed on the JSE, may limit the generalisability of the findings. Secondly, as noted by Unerman (2000) using content analysis has a risk of capturing an incomplete picture of the whole business, but it is also widely recognised as a research instrument as previously justified. Limiting the study to the assessment of integrated reports is justified because such reports are considered important stakeholder documents produced by companies. These reports offer companies the opportunity to communicate their value creation story to investors and stakeholders (IIRC, 2013).

This study was performed on the JSE top 20 companies it is recommended that the study should be expanded to include more companies, including unlisted and smaller companies and public sector entities. It is recommended that the study should include integrated reports from other countries and investigate whether these companies make use of a combined assurance model and how they report on it. The study was performed prior to the implementation of King IV, and it is recommended that an analysis similar analysis should be performed after 1 April 2017 when King IV is effective.

6. CONCLUSION

With the release of the new corporate governance code, King IV comes the increased focus on combined assurance and integrated reporting. Furthermore, greater emphasis will be placed on providing assurance of the reliability of external reporting. The effectiveness of the combined assurance model to provide assurance on the integrated report will greatly depend on the value placed on this model by the structure that has primary accountability for the governance and performance of the company. The study found that a majority of the companies state that they apply a combined assurance model, however; the majority of the companies do not explain the model. These findings provide support for the recommended practice of King IV (effective from 1 April 2017) that companies should provide an explanation on how they apply the combined assurance model. Furthermore, only a limited number of companies stated who was involved in the credibility of the integrated reports.

The findings from this study are of significance, as they provide evidence of the current integrated reporting practices specifically reporting on combined assurance in South Africa. The finding also lends support to the recommendations of King III and the newly effective King IV report, that companies should disclose their combined assurance practices and utilise a combined assurance approach in their businesses.

In addition, the paper has important regulatory and standard-setting implications for the journey towards combined assurance. These findings shed new light into the exploration and development of assurance and other credibility-enhancing mechanisms for <IR>, of interest to both the IIRC and the IAASB Integrated Reporting Working Group.

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GRI - see Global Reporting Initiative

IAASB – see International Auditing and Assurance Standards Board

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IoD – see Institute of Directors

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IRC – see Integrated Reporting Committee

IIRC – see International Integrated Reporting Council

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LSE – see London Stock Exchange

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PwC – see PricewaterhouseCoopers

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WBCSD see World Business Council for Sustainable Development.

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ANNEXURE 1: TOP 20 JSE-LISTED COMPANIES (BY MARKET CAPITALISATION) 31 DECEMBER 2015

Company name	Mnemonic	Primary listing	Market Capitalisation as at 31 December 2015 Rmillion
British American Tobacco Plc	BTI	LSE	1 769 706
Sabmiller Plc	SAB	LSE	1 575 136
Naspers Ltd	NPN	JSE	928 298
Compagnie Fin Richemont	CFR	Swiss stock exchange	582 552
Bhp Billiton Plc	BIL	LSE	367 374
Glencore Plc	GLN	LSE	303 539
Steinhoff Int Hldgs N.V.	SNH	JSE	303 256
Sasol Limited	SOL	JSE	273 193
Mtn Group Ltd	MTN	JSE	245 248
Firstrand Ltd	FSR	JSE	237 674
Vodacom Group Ltd	VOD	JSE	226 779
Old Mutual Plc	OML	LSE	204 289
Standard Bank Group Ltd	SBK	JSE	183 672
Aspen Pharmacare Hldgs L	APN	JSE	141 232
Sanlam Limited	SLM	JSE	131 158
Barclays Africa Grp Ltd	BGA	JSE	121 644
Remgro Ltd	REM	JSE	117 972
Mondi Plc	MNP	LSE	113 297
Bidvest Ltd	BVT	JSE	110 083
Woolworths Holdings Ltd	WHL	JSE	104 400
Total			**8 040 501**