

# Conflict Minerals Reports Questions & Answers



## .10 Reporting Directly on the Subject-Matter or on Management’s Assertion

*Inquiry*—In an IPISA of a CMR, may the practitioner report either directly on the subject matter or on management’s assertion for each of the two audit objectives?

*Reply*—In an IPISA performed in accordance with GAGAS and AT 101, a practitioner may report, for either audit objective, either directly on the subject matter or, as long as the practitioner’s opinion is not modified (that is, not qualified, adverse, or a disclaimer of opinion), on management’s assertion. If a practitioner’s opinion is modified, the practitioner should ordinarily opine directly on the subject matter, as discussed in paragraph .84 of AT 101. Nothing precludes the practitioner from examining an assertion but opining directly on the subject matter.

## .11 Form of Practitioner’s Report For IPISA of a CMR

*Inquiry*— If a practitioner performs an IPISA in accordance with GAGAS and AT 101, are there examples of how a report may be drafted?

*Reply*— Examples of a practitioner’s report for the IPISA are illustrated below. All illustrations assume that the OECD Due Diligence Guidance is the relevant due diligence framework used by the issuer.

The illustrative IPISA reports presented below include an explanatory paragraph emphasizing matters that were not part of the examination, and the related disclaimer of opinion thereon, to reduce the likelihood of the practitioner’s opinion on the subject matter of the two audit objectives being misconstrued. The practitioner should use professional judgment in considering the matters to be emphasized, and language consistent with the particular facts and circumstances of each engagement.

### Illustration 1

The following is an illustrative report on an IPISA in which the practitioner examines management’s assertion relating to the first audit objective and the subject matter for the second audit objective, and opines directly on the subject matter for both objectives:

## INDEPENDENT ACCOUNTANT'S REPORT

To *[insert appropriate addressee]*

We have examined:

- management's assertion, included in section *[insert section reference]* of the Conflict Minerals Report for the reporting period from January 1 to December 31, 2013, that *[insert management's assertion, for example, the design of XYZ Company's (the "Company") due diligence framework is in conformity with the criteria set forth in the Organisation of Economic Co-Operation and Development Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas, Second Edition 2013 ("OECD Due Diligence Guidance")]*, and
- whether the Company's description of the due diligence measures it performed, as set forth in section *[insert section reference]* of the Conflict Minerals Report for the reporting period from January 1 to December 31, 2013, is consistent, in all material respects, with the due diligence process that the Company undertook.

Management is responsible for the design of the Company's due diligence framework and the description of the Company's due diligence measures set forth in the Conflict Minerals Report, and performance of the due diligence measures. Our responsibility is to express an opinion on the design of the Company's due diligence framework and on the description of the due diligence measures the Company performed, based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and, accordingly, included examining, on a test basis, evidence about the design of the Company's due diligence framework and the description of the due diligence measures the Company performed, and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

Our examination was not conducted for the purpose of evaluating:

- The consistency of the due diligence measures that the Company performed with either the design of the Company's due diligence framework or the OECD Due Diligence Guidance;
- The completeness of the Company's description of the due diligence measures performed;
- The suitability of the design or operating effectiveness of the Company's due diligence process;
- Whether a third party can determine from the Conflict Minerals Report if the due diligence measures the Company performed are consistent with the OECD Due Diligence Guidance;
- The Company's reasonable country of origin inquiry (RCOI), including the suitability of the design of the RCOI, its operating effectiveness, or the results thereof; or
- The Company's conclusions about the source or chain of custody of its conflict minerals, those products subject to due diligence, or the DRC Conflict Free status of its products.

Accordingly, we do not express an opinion or any other form of assurance on the aforementioned matters or any other matters included in any section of the Conflict Minerals Report other than section(s) *[insert reference to section(s) referenced in paragraph 1 of this report]*.

In our opinion,

- the design of the Company's due diligence framework for the reporting period from January 1 to December 31, 2013, as set forth in section *[insert section reference]* of the Conflict Minerals Report is in conformity, in all material respects, with the OECD Due Diligence Guidance, and
- the Company's description of the due diligence measures it performed as set forth in section *[insert section reference]* of the Conflict Minerals Report for the reporting period

from January 1 to December 31, 2013, is consistent, in all material respects, with the due diligence process that the Company undertook.

[Practitioner's signature]

[Practitioner's city and state]

[Date of Practitioner's report]

## Illustration 2

The following is an illustrative report for an IPSA in which the practitioner examines and opines directly on the subject matter for both objectives:

### INDEPENDENT ACCOUNTANT'S REPORT

To [insert appropriate addressee]

We have examined:

- whether the design of XYZ Company's (the "Company") due diligence framework as set forth in section [insert section reference] of the Conflict Minerals Report for the reporting period from January 1 to December 31, 2013, is in conformity, in all material respects, with the criteria set forth in the Organisation of Economic Co-Operation and Development *Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas*, Second Edition 2013 ("OECD Due Diligence Guidance"), and
- whether the Company's description of the due diligence measures it performed, as set forth in section [insert section reference] of the Conflict Minerals Report for the reporting period from January 1 to December 31, 2013, is consistent, in all material respects, with the due diligence process that the Company undertook.

Management is responsible for the design of the Company's due diligence framework and the description of the Company's due diligence measures set forth in the Conflict Minerals Report, and performance of the due diligence measures. Our responsibility is to express an opinion on the design of the Company's due diligence framework and on the description of the due diligence measures the Company performed, based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and, accordingly, included examining, on a test basis, evidence about the design of the Company's due diligence framework and the description of the due diligence measures the Company performed, and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

Our examination was not conducted for the purpose of evaluating:

- The consistency of the due diligence measures that the Company performed with either the design of the Company's due diligence framework or the OECD Due Diligence Guidance;
- The completeness of the Company's description of the due diligence measures performed;
- The suitability of the design or operating effectiveness of the Company's due diligence process;
- Whether a third party can determine from the Conflict Minerals Report if the due diligence measures the Company performed are consistent with the OECD Due Diligence Guidance;
- The Company's reasonable country of origin inquiry (RCOI), including the suitability of the design of the RCOI, its operating effectiveness, or the results thereof; or
- The Company's conclusions about the source or chain of custody of its conflict minerals, those products subject to due diligence, or the DRC Conflict Free status of its products.

Accordingly, we do not express an opinion or any other form of assurance on the aforementioned matters or any other matters included in any section of the Conflict Minerals Report other than section(s) *[insert reference to section(s) referenced in paragraph 1 of this report]*.

In our opinion,

- the design of the Company's due diligence framework for the reporting period from January 1 to December 31, 2013, as set forth in section *[insert section reference]* of the Conflict Minerals Report is in conformity, in all material respects, with the OECD Due Diligence Guidance, and
- the Company's description of the due diligence measures it performed as set forth in section *[insert section reference]* of the Conflict Minerals Report for the reporting period from January 1 to December 31, 2013, is consistent, in all material respects, with the due diligence process that the Company undertook.

*[Practitioner's signature]*

*[Practitioner's city and state]*

*[Date of Practitioner's report]*

### **Illustration 3**

Illustration 3 provides alternate language for the first two paragraphs of illustration 2; otherwise the report is the same as in illustration 2. Whether to use illustration 2 or illustration 3 is solely a matter of practitioner preference.

### **INDEPENDENT ACCOUNTANT'S REPORT**

To *[insert appropriate addressee]*

We have examined:

- the design of XYZ Company's (the "Company") due diligence framework as set forth in section *[insert section reference]* of the Conflict Minerals Report for the reporting period from January 1 to December 31, 2013, and
- the Company's description of the due diligence measures it performed, as set forth in section *[insert section reference]* of the Conflict Minerals Report for the reporting period from January 1 to December 31, 2013.

Management is responsible for the design of the Company's due diligence framework and the description of the Company's due diligence measures set forth in the Conflict Minerals Report, and performance of the due diligence measures. Our responsibility is to express an opinion, based on our examination, on

- whether the design of the Company's due diligence framework is in conformity, in all material respects, with the criteria set forth in the Organisation of Economic Co-Operation and Development *Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas*, Second Edition 2013 ("OECD Due Diligence Guidance"), and
- whether the description of the due diligence measures the Company performed is consistent, in all material respects, with the due diligence process that the Company undertook.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and, accordingly, included examining, on a test basis, evidence about the design

of the Company's due diligence framework and the description of the due diligence measures the Company performed, and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

Our examination was not conducted for the purpose of evaluating:

- The consistency of the due diligence measures that the Company performed with either the design of the Company's due diligence framework or the OECD Due Diligence Guidance;
- The completeness of the Company's description of the due diligence measures performed;
- The suitability of the design or operating effectiveness of the Company's due diligence process;
- Whether a third party can determine from the Conflict Minerals Report if the due diligence measures the Company performed are consistent with the OECD Due Diligence Guidance;
- The Company's reasonable country of origin inquiry (RCOI), including the suitability of the design of the RCOI, its operating effectiveness, or the results thereof; or
- The Company's conclusions about the source or chain of custody of its conflict minerals, those products subject to due diligence, or the DRC Conflict Free status of its products.

Accordingly, we do not express an opinion or any other form of assurance on the aforementioned matters or any other matters included in any section of the Conflict Minerals Report other than section(s) [*insert reference to section(s) referenced in paragraph 1 of this report*].

In our opinion,

- the design of the Company's due diligence framework for the reporting period from January 1 to December 31, 2013, as set forth in section [*insert section reference*] of the Conflict Minerals Report is in conformity, in all material respects, with the OECD Due Diligence Guidance, and
- the Company's description of the due diligence measures it performed as set forth in section [*insert section reference*] of the Conflict Minerals Report for the reporting period from January 1 to December 31, 2013, is consistent, in all material respects, with the due diligence process that the Company undertook.

[*Practitioner's signature*]

[*Practitioner's city and state*]

[*Date of Practitioner's report*]

## **.12 Communicating Findings Required to be Communicated by GAGAS in an IPSA**

*Inquiry*—GAGAS require the practitioner's attest report to disclose any matters (often referred to as findings) that are set forth in paragraphs 5.20–.26 of the Yellow Book. Paragraphs 5.27–.28 of the Yellow Book set forth the presentation requirements that the practitioner should use, to the extent possible, in reporting a finding. When findings that are required to be communicated are identified, how would a practitioner communicate the findings?

*Reply*— AT 9101.56 addresses this question. When findings that are required to be communicated are identified, a practitioner may communicate the findings in the practitioner's attest report for the IPSA as described in AT 9101.56 or in a separate report which is referred to in the practitioner's attest report for the IPSA. The following is an example of language that would be added to the practitioner's attest report when the practitioner chooses to communicate this information in the practitioner's attest report for the IPSA. These paragraphs would follow the opinion paragraph.

In accordance with *Government Auditing Standards*, we are required to report significant deficiencies and material weaknesses in internal control, and instances of fraud, abuse and noncompliance with provisions of laws, regulations, contracts or grant agreements that have a material effect on the design of the Company's due diligence framework or the description of the Company's due diligence measures as set forth in section [*insert section reference*] of the Conflict Minerals Report. We are also required to obtain the views of responsible

officials concerning the findings, conclusions, and recommendations, as well as any planned corrective actions. Our examination disclosed certain findings that are required to be reported under *Government Auditing Standards* and those findings are described in the attached Schedule of Findings, along with the views of responsible officials. We performed our examination for the purpose described herein and not for the purpose of expressing an opinion on the internal control over the Company's due diligence measures or on compliance and other matters; accordingly, we express no such opinion.

The purpose of the attached Schedule of Findings is solely to describe certain findings that are required to be reported on our examination engagement, and not to express an opinion on the internal control over the Company's due diligence measures or on compliance and other matters. This Schedule of Findings is an integral part of an examination engagement under *Government Auditing Standards* when findings that are required to be reported are identified based upon the work performed. Accordingly, the attached Schedule of Findings is not suitable for any other purpose.

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