
Five Things to Look for in This Year's IPSAs

Conflict Minerals filings are due to the SEC on May 31, 2017 for the 2016 reporting year. Consultants, investors, and other stakeholders will begin poring over the reports. Some will be looking at the Independent Private Sector Audits (IPSAs). Here are five things to watch for if you love reading audit reports – or if you're interested conflict free supply chains for tin, tantalum, tungsten and gold (3TG).



- 1. How many?** Nineteen (19) companies submitted IPSAs with their filings for the 2015 reporting period. This was up from six for 2014. The number of smelters and refiners achieving conflict-free status has increased. Customer expectations remain high. These factors would suggest an uptick in the number of IPSAs. The current Administration has signaled interest in dialing back the conflict minerals rule. This would suggest any uptick may not be that much.
- 2. What were the conclusions?** Companies are not compelled to conclude they are “Not Found to be DRC Conflict Free” as a result of litigation. They can conclude they manufacture at least one product that is “DRC Conflict Free”, which would trigger the need for an IPSA. Many companies have made no conclusions at all. But any company can procure and submit an IPSA, if they choose to illustrate their commitment to conflict-free supply chain and their diligence in pursuing it, as Philips has done each of the first three years.
- 3. What type of firm did the IPSAs?** The SEC Rule allows the conflict minerals IPSA to be performed by CPAs (using Yellow Book attestation standards) or non-CPA auditors (using performance standards). The IPSA objectives are process-oriented, and performance standards are very amenable to this. But some companies equate “audit” with CPA.
- 4. What are the CPA firm relationships?** CPA firms can be either the company's financial auditor or another CPA firm. The conflict minerals IPSA is a non-audit service; the financial auditor must obtain approval, and the audit fees must be disclosed. Of the audits performed by CPA firms for the 2015 reporting period, only about one-third were done by the financial auditors (see table).
- 5. How good is the filer's Conflict Minerals Report?** You can look at this – but don't use it to evaluate the IPSA auditor. DHC was ranked first for one analyst who did this – but auditors don't write the filers' Conflict Minerals Reports. We can't, or we will breach independence. Better to review auditor credentials, experience – or even interview the firm.



ANALYSIS OF CONFLICT MINERALS IPSAS SUBMITTED FOR 2015

Table 1, Independent Private Sector Audits (IPSAs) Submitted for 2015 Reporting Period by Type of Auditor

	CPA Firms		Non-CPA Firm	Total
	Financial Auditor	Other CPA		
Number of IPSAs	4	9	7	10

Table 2, Data on Firms performing IPSA Audits for 2015 Reporting Period (on or before June 1, 2016)

	CPA Firms	Non-CPA Firms	Total
Number of AUDITS done by firms based:			
in the U.S.	6	3	9
outside U.S.	6	4	10
Number of IPSA FIRMS based:			
in U.S.	5	2	7
outside U.S.	4	2	6
Total IPSA firms	9	4	13

About Douglas Hileman Consulting LLC

Douglas Hileman Consulting LLC (DHC) has conducted IPSAs each year the SEC minerals rule has been in effect, and has helped numerous clients develop, evaluate, and improve their programs. Mr. Hileman submitted comments on the draft SEC Rule, and more recently in response to the SEC's request for comments. DHC developed and maintains www.DFCMAudit.com as a reference for stakeholders interested in IPSAs. He is a prolific writer on conflict minerals, and other risks involving operations, compliance, and non-financial reporting.

Prior to launching his firm in 2008, Mr. Hileman worked at a Big 4 accounting firm for six years, supporting financial audits, enterprise risk management, internal audit and the Sustainable Business Solutions practice. Mr. Hileman holds credentials as a Certified Risk Management Assurance (CRMA) professional, a Certified Professional EHS Auditor (both administered by The Institute of Internal Auditors) and Fundamentals in Sustainability Accounting (administered by the Sustainability Accounting Standards Board).

See also www.douglashileman.com.