

# Emerging trends of external reporting

- Debit Credit Business Mirror

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## **FREE ENTERPRISE**

Organizations are using integrated reporting (IR) to communicate a clear, concise, integrated story that explains how all of their resources are creating value. IR is helping businesses to think holistically about their strategy and plans, make informed decisions and manage key risks to build investor and stakeholder confidence, and improve future performance. It is shaped by a diverse coalition, including business leaders and investors, to drive a global evolution in corporate reporting.

From the International Integrated Reporting Council web site:

All entities doing business have the responsibility to comply with external reporting requisites by the regulators and expectations from parties of interest. External reporting basically includes the financial position and performance and their impact on the financial resources provided by their stakeholders.

In the last century, the usual external reports could have been five to 10 pages. The dynamics of the economic landscape have driven the expectations of stakeholders and the public, in general, to expand reports beyond the traditional type. More and more, the basic financial report has been supplemented by nonfinancial information to better inform the readers of the financial reports. Thus, external reports of more than 10 times the pages of the traditional reports are no longer unusual.

Among the significant developments in the recent past that have led to the shifts in reporting are

- the Global Reporting Initiative (GRI);
- the United Nations (UN) Global Compact;
- the World Business Council for Sustainable Development (WBCSD);
- the UN-supported Principles for Responsible Investment (PRI); and
- the UN Global Sustainable Stock Exchange Initiative (SSE) on Environmental Social and Governance (ESG) disclosures.

In response to the foregoing trends, the International Integrated Reporting Council (IIRC) was created.

The International Federation of Accountants' (IFAC) Small and Medium Practices Committee is developing implementation guideposts on integrated reporting for small- and medium-sized entities. From the standards setters, the International Auditing & Assurance Standards Board (IAASB) created the Integrated Reporting Working Group (IRWG) to respond effectively to developments in external reporting for public interest. In July 2015 the IRWG published *Exploring Assurance on Integrated Reporting and Other Emerging Developments in External Reporting* to inform stakeholders about ongoing work in this area.

n The paper essentially covered the following:

n The evolving nature of emerging external reporting (EER) (that indicates an expectation for wider information and it is reflected in the various EER frameworks being developed);

n The developing call for action to support credibility and trust (this is not limited to assurance services but includes enhancing credibility and trust through effective governance and control); and

n The flexibility in “external assurance” as reporting frameworks evolve.

The discussion paper is a work in progress, awaiting the inputs from the IAASB and IAASB CAG. Related existing standards and practices will be reckoned with. There will be the usual exposure of the paper with comment period estimated at, say, 100 days.

(The foregoing was excerpted from the resource materials of the meeting of the Consultative Advisory Group for the International Auditing & Assurance Board held in Paris, France, on March 8 and 9).

As in any standard setting exercise, there are a lot of issues to be considered, and continuing dialogues with parties of interest are imperatives. With the shifting economic landscape and emerging expectations, the journey toward meeting expectations on emerging external reporting will not be an easy ride. Rather, challenges abound and collective efforts among all concerned parties are necessary. May those involved and to be involved do not lose sight of the very reason behind all the changes in external reporting—to better inform the readers/users of reports and for public interest.

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*This column accepts contributions from accountants, especially articles that are of interest to the accountancy profession, in particular, and to the business community, in general. These can be e-mailed to [boa.secretariat.@gmail.com](mailto:boa.secretariat@gmail.com).*