

Integrated reporting:

Combining strategy
and success ...

Imagine a world where major corporations are able to clearly demonstrate how they are creating value for financial capital providers. Where financial stability and sustainable development are promoted, and investment decisions are made with long-term aims in mind.

Demonstrating the link between investments, corporate behaviour and reporting has always been tough for businesses, and this is why integrated reporting <IR> is increasingly on the agendas of boardrooms.

The system applies principles and concepts that are focused on bringing greater cohesion and efficiency to the reporting process, while also encouraging the adoption of 'integrated thinking' in an effort to eschew internal silos and include a collaborative environment.

A truly international phenomenon - practitioners, global leaders, investors and standard setters have all played a role in the development process - the <IR> Framework was launched in 2013 by the International Integrated Reporting Council (IIRC).

The aim is for it to be adopted as the mainstream reporting practice by organisations in both the public and private sectors. In doing so it offers businesses a reporting environment that is conducive to understanding and articulating their strategy.




What is integrated reporting?

An integrated report seeks to deliver a clear, concise story that communicates how an organization is creating value - giving insight on the “resources and relationships used and affected by an organisation”, while also demonstrating its strategy, governance, performance and prospects in the context of the external environment.¹

The integrated report is prepared from the perspective of the provider of financial capital, but a number of key stakeholders may use the information contained within the report to accurately gauge the business journey these might include employees, customers, suppliers, business partners, local communities, legislators, regulators and policymakers.

Preparing an integrated report requires organisations to decide on their strategic focus and provide insight into the nature and quality of their relationships with key stakeholders. Evidence of a business model, the governance structure in place, an evaluation of risk and opportunities, and an assessment of the success of objectives should all be included.



“ Resources and relationships used and affected by an organisation ”

¹ The International <IR> Framework, <<http://www.theirc.org/wp-content/uploads/2013/12/13-12-08-THE-INTERNATIONAL-IR-FRAMEWORK-2-1.pdf>>

What are the benefits of integrated reporting? ●●●

Boardrooms always want to bring financial stability and sustainability to their companies. According to the IIRC, there are four ways that IR can do this:

- Improve the quality of information given to financial capital providers. This allows them to allocate capital in a more efficient and productive manner.
- Promote a more cohesive approach to corporate reporting, drawing on various reporting strands and communicating the full range of factors that create value over time.
- Enhance accountability and stewardship for the broad base of capital assets (financial, manufactured, intellectual, human, social and relationship, and natural) and promote understanding of their interdependencies.
- Support integrated thinking in the decision-making process, ensuring the creation of value is prioritised over the short, medium and long term.²

Feedback from reporters who have piloted <IR> has so far proved to be very positive. Over four-fifths (84 per cent) said data quality has improved as a result of IR, while 92 per cent have seen their understanding of value creation improve. Business decision making (68 per cent) and collaborative thinking (78 per cent) also on the up,³ so it's clear the business community can benefit from this measure. But what does this mean for the accountancy profession specifically?

² Ibid

³ Realizing the benefits: The impact of Integrated Reporting, IIRC, <http://www.theiirc.org/wp-content/uploads/2014/09/IIRC.Black_Sun_Research.IR_Impact.Single.pages.18.9.14.pdf>

How can integrated reporting help accountants? ●●●

Creating more understandable and meaningful communication for investors is an essential part of the accountancy profession. But finance professionals should always be looking for better, not more reporting.⁴ The 21st century has been calling out for a development such as IR, as businesses place an increasing focus on value creation and how it can improve corporate reporting.

New IFAC president Olivia Kirtley has indicated her support for IR - at the recent World Congress of Accountants she encouraged delegates to take action to further its adoption, a clear indication of its relevance.⁵ Some of the key benefits for accountants are:

- **Offering a holistic view -**
It provides the opportunity to report on the whole business and not just the financial aspects. This means investors can see how the organisation creates value and provides accountants with a unique platform to increase their strategic sphere of influence and show leadership.
- **Board engagement -**
This form of reporting will help to bolster trust and transparency between the board and key stakeholders, which is essential in today's post-financial crisis environment where many investors are still risk averse.
- **Improved skills -**
Provides an opportunity for accountants to improve their skill set - a vital element of working in the industry.
- **Develop talent -**
People coming into the industry want to work for organisations that are really thinking about long-term value creation and sustainability, and IR presents the platform to showcase their plans.

⁴Integrating assurance is about both 'who' and 'how', the Accountant, <<http://www.theaccountant-online.com/news/comment-integrating-assurance-is-about-both-who-and-how-4473905/>>

⁵WORLD ACCOUNTANCY CONGRESS PAVES WAY TO ADOPTION, IIRC, <<http://www.theiirc.org/2014/11/20/world-accountancy-congress-paves-way-to-adoption/>>



There's no denying that the corporate world needs to modernise, as merely providing financial information is no longer good enough for key stakeholders. The global crisis showed that risk, governance and the sustainability of the business model were key areas put under the spotlight.

As pointed out by Neil Stevenson, managing director of global implementation at IIRC, the corporate world has yet to emerge from the deficit of trust and transparency that followed the economic downturn and banking scandal. Not only can the profession use IR to show everyone where a business is going in the future in relation to strategy and performance, it can also act as a call to action on how these organisations remain relevant.

IR presents accountants with a real opportunity for leadership, because they are ideally placed to implement the measure. They understand how to do reporting, the underlying metrics and protocols for putting together KPIs and the need to use professional judgement. Finance is important to all organisations - and always will be - and so accountants should be taking the lead on this new form of reporting.

The Praxity point of view

Praxity Participant firms are at the forefront of those assisting both their existing clients and new ones in how best to implement IR and how to maximise the beneficial results this new reporting system can deliver.

Mazars, for example, has produced a very comprehensive and useful guide demonstrating how businesses can improve communication and transparency. The extent of Praxity's reach is global and so firms as far afield, and in as different environments, as Kyiv Audit in Ukraine and William Buck in Australia, offer their clients the key opportunities to evolve their reports to high quality IR offerings.

The basic aim of IR - to enable readers of reports to glean the key information they require about value creation - chimes so well with our express intention of delivering transparency. Praxity was set up as an Alliance, so that it is transparent to clients about the nature of the association, i.e. of independent firms, rather than being a network, which whilst also made up of independent firms, arguably, gives the misleading appearance of being only one firm.

Additionally, Praxity Participant's key employees have been addressed by members of the IIRC on implementing IR. In short, we support IR and see it playing a major role in the reporting environment over the next few years.

**“ The extent
of Praxity's
reach is
global ”**

Praxity is a global alliance of independent firms. Praxity is organised as an international non-profit entity under Belgium law (a so-called IVZW or AISBL), with its registered office in Gent (Belgium), Bellevue 5/ b 1001. Praxity does not practice the profession of public accountancy or provide audit, tax, consulting or other professional services of any type to third parties. The alliance does not constitute a joint venture, partnership or network between participating firms. The firms that participate in the alliance are independent separate legal entities, and Praxity does not guarantee the services or the quality of services provided by participating firms. Praxity does not deliver services in its own name or at all. Services are delivered by the member firms. Praxity and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.