



**INTERNATIONAL GOOD PRACTICE GUIDANCE
PRINCIPLES FOR EFFECTIVE BUSINESS REPORTING
PROCESSES: EXECUTIVE SUMMARY**



**International
Federation
of Accountants®**

The Importance of Effective Business Reporting Processes

As organizations fully depend on their stakeholders for their sustainable success, it is in their interest to provide them with high-quality reports. In addition, high-quality reports promote better internal decision making. Effective reporting processes should ensure that all internal and external stakeholders receive appropriate high-quality business reports in a timely fashion.

Flowing from their responsibilities in providing financial leadership, recording financial and non-financial transactions, and measuring performance, professional accountants in business are often involved in the implementation—including design, planning, execution, audit, evaluation, and improvement—of their organizations' reporting processes.

The guidance helps organizations enhance their reporting processes and discusses the key issues professional accountants in business need to address when implementing effective reporting processes in their organization.

The International Good Practice Guidance, *Principles for Effective Business Reporting Processes*, establishes 11 key principles for evaluating and improving business reporting processes, which are complemented by practical guidance outlining the critical arrangements that need to be in place for effective business reporting.

This guidance applies to all organizations, regardless of their size or structure, public or private, to address the need for effective reporting processes to produce high-quality reports.



Principles for Establishing Effective Business Reporting Processes

These principles represent good practice, designed to ensure effective reporting processes in organizations. They do not prescribe a specific approach but instead highlight a number of areas for specific consideration when implementing reporting processes.

- A. Senior management should assume **leadership for high-quality reports** through effective reporting processes. The governing body should demonstrate commitment to high-quality reports and provide strategic input into, and oversight over, the organization's reporting processes.
- B. The organization should determine the various **roles, responsibilities**, and consequential capabilities in the reporting process, appoint the appropriate personnel, and coordinate collaboration among those involved in the reporting process.
- C. The organization should develop and implement an **effective planning and control** cycle for its reporting processes in the context of, and in alignment with, its wider planning and control cycles.
- D. To ensure the provision of high-quality information, the organization should regularly **engage with its internal and external stakeholders** and understand their information needs with regard to past, present, and future activities and results of the organization.
- E. Based on the outcomes of its stakeholder engagement, and taking cost-benefit considerations into account, the organization should **define the content** to be included in its reports and also decide on the audience, layout, and timing of its reports.
- F. The organization should have a process in place to ensure that the most appropriate reporting **frameworks and standards** are selected and that the requirements of those frameworks and standards are aligned with stakeholder information needs.
- G. The organization should determine what information needs to be captured, processed, analyzed, and reported, and how to **organize the information processes** and related systems for effective reporting.
- H. The organization should (a) identify, analyze, and select appropriate **communications tools** and (b) decide how to optimize distribution of the organization's reporting information via the various communications channels.
- I. The organization should ensure that reported information is sufficiently **analyzed and interpreted** before it is provided to internal and external stakeholders.
- J. When obtaining **internal or external assurance** is not a matter of compliance, the organization should consider voluntary internal or external assurance on its reports and reporting processes.
- K. The organization should regularly **evaluate its reporting processes** and systems in order to identify and carry out further improvements required for maintaining reporting effectiveness.

The figure below illustrates how the various principles relate to each other. In essence, they form mutually reinforcing elements in a cycle of continuous improvement of organizational reporting processes, not necessarily in a fixed order.

Relation of Business Reporting Principles



The Significance of the Principles

The principles help establishing effective business reporting processes in organizations by:

A. Ensuring Commitment for Effective Reporting from the Top

Commitment from the governing body and senior management to the benefits of providing high-quality reports is crucial as it sets the tone for the implementation of effective reporting processes in organizations.

B. Determining Roles and Responsibilities

Determination of roles and responsibilities provides clarity for the various stakeholders in the reporting process. Organizations should establish experience requirements for positions in the reporting process and impose training requirements to keep capabilities up-to-date.

C. Planning and Controlling the Reporting Processes

Reporting processes require rigorous planning and control to keep them effective and efficient and to produce high-quality reports in a timely manner. In addition, the organization should establish and maintain effective risk management and internal control over all relevant reporting processes and systems.

D. Engaging Internal and External Stakeholders

Stakeholders should receive sufficient information in order to make well-informed decisions regarding the organization. Therefore, organizations should be receptive to the information needs of their various internal and external stakeholders and adjust their reporting accordingly.

E. Defining the Right Reporting Content

Once organizations have a clear view of the information needs of their various stakeholders, they should ensure that reasonable demands from stakeholders for information are met, and that the information provided to the various stakeholder groups is useful to those groups.

F. Selecting Appropriate Standards and Frameworks

As part of maintaining effective reporting processes, organizations have to periodically assess which reporting frameworks and standards are applicable or useful to them.

G. Determining Effective and Efficient Reporting Processes

The organization's reporting processes and related systems should be capable of effectively and efficiently providing the information required for high-quality reports. Organizations should, therefore, determine what information needs to be captured, processed, analyzed, and reported, and how to organize the information processes and related systems.

H. Using Appropriate Reporting Technology

In addition to traditional, paper-based reports, organizations now have a wealth of vehicles and channels they can use to increase the effectiveness of their stakeholder communication. In close communication with their stakeholders, organizations should regularly evaluate and continue improving their various reporting methods.

I. Sufficiently Analyzing and Interpreting the Reported Information

Appropriate analysis and interpretation of the reported information before it is distributed to stakeholders is an essential component of effective reporting, as it lowers the risk of error—and thus increases reliability—and increases the usefulness of the information.

J. Obtaining Assurance and Providing for Accountability

Obtaining internal or external assurance on an organization's reports and reporting processes is an important step in implementing effective reporting processes in organizations, as it contributes to additional accountability, transparency, and reliability.

K. Evaluating and Improving Reporting Processes

Periodic evaluation and further improvement are crucial aspects of maintaining effective reporting processes.

International Good Practice Guidance

IFAC's purpose in issuing principles-based International Good Practice Guidance (IGPG) is to foster a common and consistent approach to those aspects of the work of professional accountants in business and public services not directly covered by international standards. IGPGs focus on key areas of strategic importance to professional accountants in business, with the aim of guiding their thought processes and decision making and, thus, supporting the exercise of professional judgment, which is critical in their roles. IGPGs address governance, evaluation, improvement, and implementation of strategic decisions for which professional accountants in business are responsible or to which they can contribute their expertise as trusted colleagues and advisors. The Professional Accountants in Business (PAIB) Committee has applied the extensive expertise, experience, and diversity of its members and IFAC member organizations to draw out a set of internationally accepted principles that professional accountants can apply in organizations where they work, regardless of jurisdiction, size, economic sector, or form of ownership. The principles provide a common frame of reference when deciding how to address issues and challenges, and helping organizations to achieve sustainable success. IGPGs also help accountants to identify additional available resources by including links to the relevant work and resources of IFAC member organizations and other colleagues.

The full-length version of *Principles for Effective Business Reporting Processes* includes a select list of relevant resources from IFAC, its member bodies, and other relevant organizations. It can be downloaded free of charge at www.ifac.org/paib.

About IFAC

[IFAC](http://www.ifac.org) is the global organization for the accountancy profession, dedicated to serving the public interest by strengthening the profession and contributing to the development of strong international economies. It is comprised of 173 members and associates in 129 countries and jurisdictions, representing approximately 2.5 million accountants in public practice, education, government service, industry, and commerce.

IFAC's mission is to serve the public interest by: contributing to the development of high-quality standards and guidance; facilitating the adoption and implementation of high-quality standards and guidance; contributing to the development of strong professional accountancy organizations and accounting firms and to high-quality practices by professional accountants, and promoting the value of professional accountants worldwide; and speaking out on public interest issues.

For more information please contact:

IFAC
529 Fifth Avenue, FL 6
New York, NY 10017
USA
T +1 212 471 8707
www.ifac.org