



INTERNATIONAL GOOD PRACTICE GUIDANCE
PRINCIPLES FOR EFFECTIVE BUSINESS REPORTING
PROCESSES

The mission of the International Federation of Accountants (IFAC) 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.

The Professional Accountants in Business (PAIB) Committee serves IFAC member bodies and professional accountants worldwide who work in commerce, industry, financial services, education, and the public and not-for-profit sectors. Its aim is to promote and contribute to the value of professional accountants in business. To achieve this objective, its activities focus on:

- increasing awareness of the important roles professional accountants play in creating, enabling, preserving, and reporting value for organizations and their stakeholders; and
- supporting member organizations in enhancing the competence of their members through development and sharing of good practices and ideas.

The [Preface to IFAC's International Good Practice Guidance](#) sets out the scope, purpose, and due process of the PAIB Committee's International Good Practice Guidance series.

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Why Effective Business Reporting Processes Are Important

High-quality business reports lie at the heart of strong and sustainable organizations, financial markets, and economies,¹ as useful information is crucial for the various internal and external stakeholders who need to make informed decisions with respect to an organization's capacity to create and preserve value.²

As organizations fully depend on their stakeholders for their sustainable success, it is in their interest to provide stakeholders with high-quality reports. For example, effective reporting reduces the risk for lenders and may lower the cost of capital. Implementation of effective reporting processes is essential for organizations to be able to provide such information.

In addition, high-quality reports also promote better internal decision making. High-quality information is integral to the successful management of the business, and is one of the major drivers of sustainable organizational success.

Effective reporting processes should ensure that all internal and external stakeholders receive appropriate high-quality business reports in a timely fashion.

This guidance is directed at all types of organizations wishing to enhance or improve their reporting processes, as all organizations, regardless of their size or structure, private or public, should have effective reporting processes to provide high-quality reports for their internal and external stakeholders.

Professional accountants in business are often involved in the design, planning, execution, audit, evaluation, and improvement (or, in short, the implementation) of their organizations' reporting processes. This International Good Practice Guidance (IGPG) covers the main issues professional accountants in business should address in implementing effective reporting processes in their organization.

¹ See Appendix A for reporting definitions in the context of this guidance.

² If information is to be useful, it must be relevant and faithfully represent what it purports to represent. See also definitions in Appendix A. Value in this context is not necessarily limited to monetary value, but can also comprise, for example, social, environmental, or wider-economic value.

The Role of the Professional Accountant in Business in Effective Reporting

In [*Competent and Versatile: How Professional Accountants in Business Drive Sustainable Organizational Success*](#) (IFAC 2011), the roles professional accountants in business perform are summarized as creators, enablers, preservers, and reporters of sustainable value for their organizations in both performance and conformance dimensions.

In order to implement effective reporting processes in organizations, all four roles are important and relevant, as effective reporting is about creating, enabling, preserving, and reporting sustainable value. However, the emphasis of this IGPG is on how professional accountants in business enable transparent communication via effective reporting of the organization's delivery of sustainable value to stakeholders.

The IFAC report [*Integrating Governance for Sustainable Success*](#) (2012) discusses how professional accountants in business integrate good governance in their organizations' reporting processes. Flowing from their responsibilities in providing financial leadership, recording financial and non-financial transactions, and measuring performance, professional accountants in business support organizational communication by:

- facilitating identification of the organization's stakeholder groups, such as investors, and determining how to effectively engage with each of them;
- providing detailed knowledge of financial and non-financial reporting standards and guidance to ensure correct application and use to guide the evolution of internal management systems and processes;
- planning, executing, and controlling the preparation of financial and business reports and other relevant communications that meet the information needs of the various stakeholders and are in compliance with standards and regulatory requirements; and
- managing and monitoring the efficiency, integrity, and effectiveness of the organization's financial and non-financial reporting processes, systems, and controls.

Professional accountants in business also support their organization by:

- evaluating and improving communication and reporting processes and systems that respond to changing information demands, particularly to capture wider non-financial measures of, for example, environmental, social, and economic performance; and
- implementing new communication and engagement techniques, such as short form reports, XBRL (eXtensible Business Reporting Language), video streams, social media, and integrated reporting.

The principles in this guidance support professional accountants in business to establish more effective business processes in the organizations for which they work.

Principles for Effective Business Reporting Processes

The principles below represent good practice designed to ensure effective reporting processes in organizations.

These principles do not prescribe a specific approach, but highlight a number of areas for specific consideration when implementing reporting processes.

A. Committing to Effective Reporting Processes

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. Determining Roles and Responsibilities

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. Planning and Controlling the Reporting Processes

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. Engaging Stakeholders

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. Defining the Reporting Content

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. Selecting Frameworks and Standards

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. Determining Reporting Processes

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. Using Reporting Technology

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. Analyzing and Interpreting Reported Information

The organization should ensure that reported information is sufficiently analyzed and interpreted before it is provided to internal and external stakeholders.

J. Obtaining Assurance and Providing for Accountability

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. Evaluating and Improving Reporting Processes

The organization should regularly evaluate its reporting processes and systems in order to identify and carry out further improvements required for maintaining reporting effectiveness.

[Figure 1](#) 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. The next section contains practical guidance on implementing these principles.

Figure 1: Relation of Reporting Principles



Practical Guidance on Implementing the Principles

This section provides practical guidance on implementing the principles for effective reporting processes in organizations.

COMMITTING TO EFFECTIVE REPORTING PROCESSES

Commitment from the governing body and senior management to the benefits of providing high-quality reports is a crucial element of implementing effective reporting processes in organizations.

Principle A—Committing to Effective Reporting Processes

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.

- A.1 Senior management should ensure that the organization has the reporting processes and controls needed to deliver high-quality business reports that meet stakeholders’ needs and regulatory reporting criteria.
- A.2 Programs should be in place to ensure that the governing body understands the information being reported by the organization and is able to monitor that there are appropriate controls to ensure all material information is disclosed (see [Principle K, Evaluation and Improvement](#)).³
- A.3 The governing body should demonstrate integrity and transparency with respect to effective reporting processes and quality of reported information, and expect the same from all others involved in the reporting process. The governing body also should ensure that the organization’s governance and compensation practices are consistent with the provision of high-quality reports.
- A.4 The governing body should consider including reporting quality in the organization’s objectives to ensure that senior management is committed to high-quality reports and that effective reporting processes are adequately embedded in the organization.
- A.5 The governing body should provide feedback to senior management on what information it needs to carry out its fiduciary duties and how reports should be presented to avoid information overload and time wasted preparing and reading unnecessary information.

³ In those organizations where relevant and applicable, programs should also be in place to ensure understanding by the audit committee. See the definition of governing body in Appendix A.

DETERMINING ROLES AND RESPONSIBILITIES

Determination of the roles and responsibilities provides clarity for the various stakeholders in the reporting process.

Principle B—Determining Roles and Responsibilities

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.

- B.1 There are several main responsibilities for the organization's reporting processes.
- The governing body should provide ethical and strategic leadership with respect to, and assume overall stewardship for, the organization's reporting processes. It also should ensure that senior management has effectively undertaken its responsibilities relating to the organization's reporting processes, for example, ensuring that the appropriate reporting policies are adopted. The governing body also has overall responsibility for approving all business reports before they are issued to external stakeholders.
 - The audit committee, in those organizations where relevant, on behalf of the governing body, should oversee the organization's financial reporting and reporting processes. It also should ensure that business reports are in accordance with policies, standards, and regulations. Therefore, it should meet with senior management and auditors and report regularly to the governing body.
 - Senior management should design, implement, maintain, and monitor the organization's reporting processes and systems, and regularly report on their effectiveness to the governing body. Senior management also should be explicitly responsible for the timely delivery, provision, and preparation of the required high-quality reports.
 - Professional accountants in business involved in their organizations' reporting activities should be committed to the integrity and effectiveness of reporting processes, and to providing useful business reports. Their responsibilities normally would extend to implementing changes to financial and other reporting standards.
 - Communications/investor relations staff should support the governing body and senior management in communicating the position, performance, outlooks, and strategy of the organization with the various internal and external stakeholders. In addition, communications/investor relations staff should reach out to stakeholders to establish their information needs.
 - Involvement of internal and external legal counselors should be considered to monitor compliance with the legal or regulatory reporting aspects of business reporting.
 - IT personnel should ensure the availability, integrity, and security of the organization's information and reporting systems and data.⁴
 - Internal and external auditors should play an important role in monitoring and evaluating the reporting processes and systems and could provide assurance

⁴ For more information, see [COBIT Framework for IT Governance and Control](#) issued by ISACA.

on their effectiveness to the governing body, often through the audit committee where applicable.

- The organization should encourage its internal and external stakeholders, being the primary users of business reports, to identify the information they need to make informed decisions on behalf of or about the organization, and to provide feedback as to the usefulness of the reports they are receiving. Without this information, those responsible for the provision of business reports are ill-informed regarding what to report or how to improve their reporting processes (see [Principle D, Engaging Stakeholders](#)).
- Internal and external subject matter experts can support the organization's reporting processes in various roles. However, these experts should not be given responsibility for the quality of the reported information or the effectiveness of the reporting processes in the organization.

- B.2 Professional behavior and adequate capabilities should be required for all participants in the reporting processes. The organization should establish experience requirements for positions in the reporting process. Additionally, it should establish training requirements to keep capabilities in this area up-to-date.
- B.3 Operations staff and line management who can provide more in-depth explanations of the operating and similar activities in the organization should be involved in the reporting process to ensure that preparers of reports are well connected to operations and truly understand the inner workings of the organization. Likewise, preparers of reports can help operations staff and line management understand and interpret the draft financial results and other reporting information, which can support the timely detection of errors or anomalies.

B.4 Managers across the organization should have sufficient understanding of the operation of the reporting processes and systems, as well as the related risks and controls, relevant to their area of responsibility in order to assume their reporting responsibilities. They should also be capable of analyzing the draft information and providing feedback before the information goes to the governing body or becomes public.

B.5 In smaller and mid-sized organizations, professional accountants in business often fulfill several of the roles and responsibilities in the reporting process. While they specialize in finance, accounting, and reporting activities, they usually also serve as an integral part of the management team and are engaged in maintaining investor or creditor relations, monitoring compliance with the legal or regulatory reporting aspects of business reporting, and evaluating and improving the organization's information and reporting systems, including the related internal controls.⁵

⁵ For more information, see [The Crucial Roles of Professional Accountants in Business in Mid-Sized Enterprises](#) (IFAC 2008).

PLANNING AND CONTROLLING THE REPORTING PROCESSES

Effective reporting requires a rigorous planning and control process.

Principle C—Planning and Controlling the Reporting Processes

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.

- C.1 To ensure the timely production of high quality reports, the different phases of the reporting process, including preparation and subsequent review, should be planned carefully. This includes not only the various steps of the actual reporting process (see [Principle G, Determining Reporting Processes](#)), but also the preliminary and concluding reporting steps as encapsulated in the other principles of this guidance.
- C.2 [Figure 1](#) on page 7 illustrates how the various reporting principles relate to each other. The activities included in the principles should be included in a clear and comprehensive plan for business reporting, including timetables. The developers should communicate the reporting plan in a timely fashion with all other stakeholders in the business reporting process. During the execution of the reporting processes, plans should be continuously monitored and, if necessary, adjusted.
- C.3 As an integral part of its reporting planning and control cycle, the organization should establish and maintain effective risk management and internal control over all relevant reporting processes and systems in accordance with an appropriate risk and control framework and legal requirements.⁶
- C.4 The organization should have a built-in mechanism in all its reporting processes to assess related risks, including causes and consequences, and to implement corresponding controls. It also should identify the various risks to maintaining effective reporting processes and accountabilities, as well as the risks in non-routine events and in the use of new technology, for example, the inadvertent communication of confidential information. Finally, it should implement internal controls that would mitigate these risks.
- C.5 The organization should document its reporting processes, including the identified risks and related controls, in reporting or accounting manuals, policies, and procedures.
- C.6 Experiences from previous reporting cycles also should be included in the planning for the next reporting period, through the evaluation and improvement step (see [Principle K, Evaluating and Improving Reporting Processes](#)). In addition, changes in reporting processes and systems (see [Principle G, Determining Reporting Processes](#)), including changes in the corresponding risks and controls, should be reflected in updated policies and procedures, and communicated with all those involved in the reporting processes to ensure that organizational planning and control systems with respect to reporting remain appropriate.

⁶ For more information on risk and internal control, see [Evaluating and Improving Internal Control in Organizations](#) (IFAC 2012).

ENGAGING STAKEHOLDERS

Stakeholders need sufficient information about the organization for their decision making purposes. Therefore, organizations should be receptive to the information needs of their various stakeholders and adjust their approach to reporting accordingly.

Principle D—Engaging Stakeholders

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.

- D.1 Successful organizations typically have a systematic and carefully planned approach to engaging and dialoguing with various internal and external stakeholders. Effective reporting is an opportunity for management to provide investors and other stakeholders with (a) the longer-term prospects for an organization, as well as (b) a rationale and explanation for its vision, strategies, and results. Such organizations tend to excel in their reporting in terms of usefulness.
- D.2 Users of business reports are best qualified to decide whether reporting information is useful to them. Therefore, stakeholder engagement is necessary to determine the range of users and their needs for various types of reports and disclosures.
- D.3 Accordingly, the organization should ensure that there is a systematic and carefully planned approach to entering a dialogue with stakeholders to identify material financial and non-financial matters when designing the organization's strategy, which then feeds into its operations and reporting processes.
- D.4 The organization should determine the information to be reported by taking into account the various stakeholder perspectives, for example, via a business-reporting committee.
- D.5 The organization should review its disclosures regularly, for example, through encouraging stakeholder feedback, in light of changing stakeholder and regulatory information needs.

DEFINING THE REPORTING CONTENT

Once organizations have a clear view of the information needs of their various stakeholders, they should translate this into reporting content so reasonable demands from stakeholders for information are met, and that the information provided to the various stakeholder groups is useful to them.

Principle E—Defining the Reporting Content

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 reports.

- E.1 The organization should define the reporting content and metrics that are useful to the various internal and external stakeholder groups, while checking industry reporting benchmarks and various reporting regulations.
- E.2 To improve its business reporting, the reports of an organization should be open, transparent, and have a forward-looking orientation. This will provide better insights into what drives its business and the opportunities and threats it is dealing with. The organization should write its business reports in clear and plain language and refrain from platitudes and legalese.⁷
- E.3 The organization should focus on what is important to various stakeholder groups and not overwhelm them with unnecessary detail.⁸ The organization should also try to restrict the number and level of detailed disclosures in their mainstream business reports to the essentials, and provide links to detailed disclosures elsewhere.
- E.4 The organization should ensure that external reporting is consistent with internal management reporting. A large portion of the information that is relevant for managerial decision making is also relevant for external stakeholders. However, competitive and confidentiality issues, as well as cost-benefit considerations, should be taken into account. Additionally, external users may not need the same level of detail as internal users.
- E.5 The organization should consider providing different information for different stakeholders reflecting different informational needs; it is not “one size fits all.” For example, information requirements will differ for external stakeholders, governing bodies, senior management, line management, etc., and those with operational responsibilities will need more detailed information than those with strategic responsibilities. The different informational needs may be best served with distinct reports. However, the reported information should be consistent within each level of reporting.

⁷ For more information, see [Integrating the Business Reporting Supply Chain](#) (IFAC 2011) for recommendations from key business leaders from around the globe on making business reports more useful.

⁸ For more information, see “Determining Materiality,” section 3.4, in the [Sustainability Framework 2.0](#) (IFAC 2011).

- E.6 The organization should determine what financial and non-financial information and metrics get reported and where to show the interrelated economic, social, and environmental objectives, opportunities, strategy, risks, controls, and performance of the organization.
- E.7 The frequency and timing of reporting should be designed to meet stakeholders' needs. The call for more frequent and timely reporting motivates organizations to improve their internal information systems. However, the earlier the information is reported, the greater the need for estimates and the shorter the time for analysis and interpretation (see [Principle I, Analyzing and Interpreting the Reported Information](#)). Furthermore, higher frequency reporting can increase organizational costs. Therefore, senior management should determine the appropriate balance between using estimates, costs, adequate analysis and interpretation, and the timeliness of reports.

SELECTING FRAMEWORKS AND STANDARDS

Periodic assessment of reporting frameworks, standards, and guidelines—as part of maintaining effective reporting processes—ensures that the organization continues to use the most appropriate ones.

Principle F—Selecting Frameworks and Standards

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.

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| <p>F.1 The organization should use reporting frameworks, standards, and guidelines to help develop effective reporting processes and to ensure that all relevant information is disclosed. Professional accountants may need to turn to sources beyond current, and often prescribed, financial reporting standards and regulations to make the best choices on reporting strategy so that reporting format, timing, content, and approach demonstrate transparency, credibility, relevance, and usefulness to the various stakeholders. Professional accountants will need to be familiar with the appropriate reporting frameworks, such as the International Accounting Standards Board (IASB)'s Practice Statement on Management Commentary, and the International Integrated Reporting Framework, which is being developed by the International Integrated Reporting Council (see Appendix B for an overview of various frameworks).</p> | <p>F.3 The organization should seek to provide information that is useful to and wanted by stakeholders, while taking into account any litigation risk that may be attached to such disclosures.</p> |
| <p>F.2 The organization should ensure continuing compliance with relevant reporting laws and regulations and accounting standards, as well as using professional judgment in interpreting and applying them.</p> | <p>F.4 Via active stakeholder engagement (see Principle E, Defining the Reporting Content), the organization should ensure that the most appropriate frameworks and standards are selected when a choice is available.</p> <p>F.5 The organization's business reports should disclose the frameworks and standards that are used to prepare the reports, so users may have a better understanding of the basis of recognition, measurement, and presentation.</p> <p>F.6 The organization should also provide feedback to the developers of frameworks and standards on how these could be further improved.</p> |

DETERMINING REPORTING PROCESSES

Organizations with the right reporting processes and related systems in place are able to effectively and efficiently provide the required information to produce high-quality reports.

Principle G—Determining Reporting Processes

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.

- G.1 Based on the defined reporting content (see [Principle E, Defining the Reporting Content](#)), the organization should identify the information it needs to collect and determine how that information should be provided.
- G.5 The organization should align its information systems with its reporting processes so that they can effectively supply the reporting content to meet the information needs of its internal and external stakeholders. Information technology (IT) plays a central role in the process of business reporting in many organizations, including small- and medium-sized entities. For example, the use of data warehouses can have significant influence on the availability of data, as well as on the process of generating the basic output for the business report. Professional accountants in business can support their organization through gaining a better understanding of opportunities and risks of deploying various IT applications in the business reporting processes, including safeguarding the continuity and reliability of those processes.
- G.2 Improving the organization's reporting processes should start with a top-down review, starting from the information needed for reporting and then restructuring the reporting processes and systems so that they will be able to provide the required information.
- G.6 The organization should ensure that the information provided by the various reporting streams is analyzed and reported in an integrated way to take into account interdependencies and to be able to provide higher-quality reports, which ultimately leads to better decision making on behalf of or about the organization. Systems need to be integrated to ensure that the same piece of information gets reported in a consistent manner, regardless of the purpose of the report.
- G.3 To that end, the organization should first work backward along the reporting trail and map the various reporting processes and systems from reporting content and information provision (via information analysis, information processing, data entry into information systems, data capture, etc.) to the sources of the required information.
- G.4 Once the organization has a clear view and understanding of its reporting processes and systems, it should determine their effectiveness and efficiency. Are these processes and systems capable of delivering the required information in a reliable and timely way, and with an optimal use of resources? Depending on the findings, the organization should consider the appropriateness of redesigning the reporting process and systems in order to close any gaps in the process that have been identified. Due to their training and experience, professional accountants in business are well qualified to manage and execute such improvement projects.

USING REPORTING TECHNOLOGY

In addition to the traditional, paper-based reports, organizations now have a wealth of vehicles and channels they can use to increase the effectiveness of their stakeholder communication.

Principle H—Using Reporting Technology

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.

- H.1 The organization should regularly evaluate and continue improving the various reporting vehicles in close communication with the users of those vehicles. The organization should look at alternative, more user-friendly ways to distribute its reports making use of newer technologies, such as websites, video streaming, and XBRL. This can provide more interactive and engaging ways to internally and externally communicate the organization’s messages.
- H.2 Using web technology, a high-level, multi-stakeholder report could be connected via information and communication technologies to more detailed reports. Web technology could also be used to better create and follow links between the various reports.
- H.3 The organization needs to establish a process that evaluates and improves the presentation of information by taking advantage of the possibilities of new technologies. For example, business information, while remaining in line with relevant regulation, could be presented:
- in various electronic drill-down layers, stratified for the various user groups;
 - by using graphs and other visual presentations to enhance understandability; and
 - via dashboards showing key information for the various user groups.
- H.4 All types of organizations may want to consider the use of XBRL, as this common language for the electronic communication of business and financial data can bring benefits to many internal and external stakeholders.⁹ For example, XBRL can bind together disparate internal and external reporting systems, so preparers of business reports can further automate and streamline their reporting processes. In addition, more and more public authorities demand that companies and other organizations file their business and financial data or reports in XBRL format.

⁹ For more information, see [Leveraging XBRL for Value in Organizations](#) (IFAC and ISACA 2011).

ANALYZING AND INTERPRETING REPORTED INFORMATION

Appropriate analysis and interpretation of the reported information is an essential component of effective reporting.

Principle I—Analyzing and Interpreting Reported Information

The organization should ensure that reported information is sufficiently analyzed and interpreted before it is provided to internal and external stakeholders.

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| <p>I.1 Analysis and interpretation of both financial and non-financial information before it is distributed to stakeholders serves a dual purpose: not only does it lower the risk of error and thus increase reliability, it also increases the usefulness of the information, especially when the analysis and interpretation is provided in conjunction with the reported information.</p> | <p>I.3 Determining what is sufficient with respect to analyzing and interpreting reporting information depends on a number of variables, such as the needs of the various stakeholders and the type of information being provided, as well as cost vs. benefit considerations. Generally, however, one could say that reported information is sufficiently analyzed and interpreted if users would not have come to materially different conclusions had additional analysis and interpretation occurred.</p> |
| <p>I.2 Taking into account the purpose of the reported information, from a stakeholder perspective, and the various internal and external circumstances, the organization should balance the timeliness of reporting and the provision of additional analysis and interpretation. Time pressure to deliver the information should not allow internal or external reports to be issued without sufficient analytical review and interpretation. Therefore, the organization should devote ample time and resources to the analysis and interpretation of information to be reported.</p> | <p>I.4 Based on their training and experience, professional accountants in business add value by evaluating and improving the various analytic and interpretation processes in the organization or by utilizing their familiarity with analytical procedures and software tools.</p> |

OBTAINING ASSURANCE AND PROVIDING FOR ACCOUNTABILITY

Obtaining internal or external assurance is an important step in implementing effective reporting processes in organizations.

Principle J—Obtaining Assurance and Providing for Accountability

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.

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| J.1 | Obtaining internal or external assurance on an organization's reports and reporting processes contributes to accountability, transparency, and reliability. The organization should, therefore, weigh the costs and the benefits of such assurance. | J.5 | The organization should encourage its internal or external auditors to recommend reporting process improvements in addition to any statutory responsibilities. |
| J.2 | There should be a clear understanding of what will be expected from the internal or external audit with respect to the business reports, as well as the underlying reporting processes and systems. | J.6 | As part of the planning and control of the reporting processes, the governing body should periodically review and evaluate the various assurance processes, as well as the role and performance of the internal or external auditors. |
| J.3 | Ensuring open communication with respect to reporting between the governing body, the audit committee when applicable, and the organization's internal and external auditors contributes to more reliable reports. | J.7 | The governing body should also periodically review and evaluate its own role and performance with respect to the internal and external assurance processes. |
| J.4 | The organization should undertake a comprehensive planning process with the internal or external auditors. It should also consider alignment of the internal and external audit processes, as this could lead to increased effectiveness and cost savings. | | |

EVALUATING AND IMPROVING REPORTING PROCESSES

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

Principle K—Evaluating and Improving Reporting Processes

The organization should regularly evaluate its reporting processes and systems in order to identify and carry out further improvements required for maintaining reporting effectiveness.

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| <p>K.1 Evaluation and improvement of the different reporting processes and related systems should be the responsibility of senior management, in consultation and collaboration with others who participate in the reporting process (as outlined in Principle B, Determining Roles and Responsibilities).</p> <p>K.2 Regular engagement with those involved in the reporting cycle, for example, through encouraging direct feedback, will help organizations identify new improvements. For example, Principle E, Defining the Reporting Context, could identify data that is surplus to requirements or data that needs greater accuracy. This could subsequently lead to making improvements to the reporting cycle.</p> <p>K.3 The organization should consider a benchmarking process to compare its reporting processes and reports with peers, especially those that are recognized as leaders in business reporting.</p> <p>K.4 The organization should regularly evaluate and improve the governance, risk management, and internal control over its reporting processes.</p> | <p>K.5 The organization should specifically address any reporting issues, such as a lack of adequately integrated processes, systems, and data, as identified in the preparation, execution, and follow-up/review of its end-of-period processes.¹⁰</p> <p>K.6 The results of periodic evaluations of reporting processes and related systems should be communicated with the governing body. The governing body and senior management should create an environment in which the organization is encouraged to be transparent about deficiencies in its reporting processes and systems and focus on continual improvement.</p> |
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¹⁰ For examples, see [Business Guidance Notes from the Institute of Chartered Accountants in Australia](#).

Appendix A: Definitions

- **Reporting process:** the people and processes involved in the preparation, review, approval, audit (when relevant), analysis, and distribution of reports. All sections in the process need to be robust and closely connected to effectively yield high-quality reports.
- **Effective reporting processes:** processes that are capable of delivering high-quality business reports in an efficient and timely manner.
- **Conformance:** compliance with laws and regulations, best practice governance codes, accountability, and the provision of assurances to stakeholders. The term can refer to (a) internal factors defined by the officers, shareholders, or constitution of an organization, as well as (b) external forces such as consumer groups, clients, and regulators.
- **Performance:** policies and procedures that (a) focus on opportunities and risks, strategy, value creation (in the form of outcomes or outputs), and resource utilization, and (b) guide an organization's decision-making.
- **Organizational performance:** the actual outcomes or outputs of an organization as measured against its intended environmental, social, and economic outcomes or outputs.
- **Stakeholder:** any person, group, or entity that has an interest in an organization's activities, its resources, or output, or that is affected by that output. Stakeholders include regulators, shareholders, debt holders, governing bodies, managers, employees, customers, suppliers, advocacy groups, governments, trade unions, media, and society as a whole.
- **Shareholder:** a holder or owner of shares in a company or corporation. The shareholder plays a formal role in the governance of an organization, and is generally entitled to vote on a variety of issues and to share in the financial results.
- **Governance:** the set of responsibilities and practices exercised by the governing body and executive management (the governing body) with the goal of (a) providing strategic direction, (b) ensuring that objectives are achieved, (c) ascertaining that risks are managed appropriately, and (d) verifying that the organization's resources are used responsibly.¹¹ This definition reflects both the performance and conformance aspects of governance.
- **Governing body:** the person(s) or organization(s) with primary responsibility for overseeing (a) the strategic direction of the entity and (b) the accountability of the entity (e.g., a board of directors). This includes overseeing the financial reporting process. Governing bodies can be made up of independent and non-independent directors and can have various sub-committees, such as an audit committee, remuneration committee, or ethics committee. In some entities in some jurisdictions, the governing body may include management personnel, for example, executive members of a governance board of a private or public sector entity, or an owner-manager. In some cases, the governing body is responsible for approving the entity's financial statements (in other cases management has this responsibility). In most large organizations, there can be multiple organizational levels, each with specific authority and responsibility for governance. This guidance uses the term governing body in both respects—the governing body at the top (board of directors or board of trustees) and the lower-level governing bodies.
- **High-quality business reports:** reports from an organization containing both financial and non-financial information that are useful to the intended stakeholders in making informed decisions on behalf or about the organization.

¹¹ See *Board Briefing on IT Governance, 2nd Edition* (IT Governance Institute 2003).

- **Useful information:** information that is relevant to users and faithfully represents what it purports to represent. The usefulness of information is enhanced if it is comparable, verifiable, timely, and understandable.¹²
- **Capabilities:** the professional knowledge, professional skills, and professional values, ethics, and attitudes required to demonstrate competence.¹³
- **Assurance:** The International Auditing and Assurance Standards Board (IAASB) has defined an assurance engagement as an engagement in which a practitioner expresses a conclusion designed to enhance the degree of confidence of the intended users (other than the responsible party) on the outcome of the evaluation or measurement of a subject matter against criteria. Under the IAASB's *International Framework for Assurance Engagements*, there are two types of assurance engagements a practitioner is permitted to perform: a reasonable assurance engagement and a limited assurance engagement. For more information, see the IAASB's Glossary of Terms in the [2012 Handbook of International Quality Control, Auditing, Review, Other Assurance, and Related Services Pronouncements](#).

¹² This definition is aligned with the definition of useful financial information in the [Conceptual Framework for Financial Reporting](#) (International Accounting Standards Board 2010).

¹³ This definition is from [Framework for International Education Standards for Professional Accountants](#) (International Accounting Education Standards Board 2009).

Appendix B: Resources

Business reporting is dynamic and no list can portend to cater for all reporting needs; therefore, this list may not be sufficient. Additional resources from IFAC and its member bodies can be found through the IFACNet at www.ifacnet.com and on the [IFAC website](#).

- [Financial Reporting Supply Chain: Current Perspectives and Directions](#) (IFAC 2008) presents the results of a study focused on whether financial reporting has improved in recent years. The global research study, [Developments in the Financial Reporting Supply Chain—Results from a Global Study Among IFAC Member Bodies](#) (IFAC 2010), indicates that in many countries and jurisdictions progress has been made in numerous areas of governance, financial reporting, and auditing. However, both studies highlight several persistent and important remaining issues.
- [Integrating the Business Reporting Supply Chain](#) (IFAC 2011) includes recommendations from 25 prominent business leaders on what should be done to effectively improve governance, the financial reporting process, audit, and the usefulness of business reports in the aftermath of the financial crisis. The report provides a summary of interviewees' recommendations in each area and highlights some of IFAC's related initiatives.
- [Evaluating and Improving Internal Control in Organizations](#) (IFAC 2011) proposed International Good Practice Guidance, is designed to establish a benchmark for good practice in maintaining effective internal control in response to risk, and help professional accountants in business and their organizations create a cycle of continuous improvement for their internal control systems.
- [The Crucial Roles of Professional Accountants in Business in Mid-Sized Enterprises](#) (IFAC 2008) features interviews with 10 senior-level professional accountants in business on their experiences in mid-sized enterprises. The purpose of these interviews is to better understand the unique challenges that mid-sized enterprises confront and how professional accountants in business help address these challenges.
- [Leveraging XBRL for Value in Organizations](#) (IFAC and ISACA 2011) provides guidance on how to leverage the value of XBRL (eXtensible Business Reporting Language) through effective implementation.
- [COBIT Framework](#) (ISACA, continually updated) helps IT professionals and enterprise leaders fulfill their IT governance and management responsibilities, particularly in the areas of assurance, security, risk and control, and deliver value to the business.
- [Practice Statement on Management Commentary](#) (International Accounting Standards Board 2010) provides a broad, non-binding framework for the presentation of management commentary that relates to financial statements prepared in accordance with International Financial Reporting Standards.
- [Conceptual Framework for Financial Reporting](#) (US Financial Accounting Standards Board and IASB 2010) aims is to create a sound foundation for future accounting standards that are principles based, internally consistent and internationally converged.
- [Combating Clutter](#) (UK Financial Reporting Council 2011) seeks to be a catalyst to removing unnecessary text and data from annual reports, as does the [Financial Reporting Lab](#).
- [Producing Financial Information for Canadian Capital Markets](#) (Canadian Institute of Chartered Accountants 2010) summarizes the key elements of the financial information production process, including the parties involved in the process. While recognizing the separate and distinct roles of the various parties, the paper emphasizes that for the production process to be reliable those parties need to work together in an environment of respect and cooperation.

- [Business Guidance Notes](#) (Institute of Chartered Accountants in Australia) are regularly published on a variety of subjects, designed to offer practical, relevant advice and information to Chartered Accountants who work in business. Each guidance note is written by members for the benefit of other members by offering expertise and practical examples of some of the day-to-day challenges they face in the business world.
 - [Towards Integrated Reporting—Communicating Value in the 21st Century](#) (International Integrated Reporting Council 2011) sets out the rationale for Integrated Reporting and proposals for an International Integrated Reporting Framework. IFAC actively participates in the development of this framework. See www.theiirc.org for the latest developments in the area of integrated reporting.
 - [Sustainability Reporting Framework](#) (Global Reporting Initiative, continually updated) provides organizations with comprehensive reporting guidelines and features sustainability disclosures that organizations can adopt flexibly and incrementally, enabling organizations to be transparent about their performance in key sustainability areas.
 - [Re-Assessing the Value of Corporate Reporting](#) (Association of Chartered Certified Accountants 2012) points out that corporate reports are being held back by confusion over their different audiences, complexity, and lack of timeliness. The report signals a need for a greater focus on forward-facing plans, risk management, and the effective integration of these and other issues into corporate reports in a more coherent way.
 - [Simple, Practical Proposals for Better Reporting of Corporate Governance](#) (Report Leadership 2011) offers suggestions on how companies can adopt a new reporting structure that integrates key governance information with the rest of their business reporting; implement, measure, and communicate sound business principles; and tell the governance story, while also ensuring compliance with relevant codes and legislation.
- Report Leadership is a multi-stakeholder group consisting of the Chartered Institute of Management Accountants, PwC, and Radley Yeldar.
- [Reporting Business Risks: Meeting Expectations](#) (Institute of Chartered Accountants in England and Wales 2011) analyzes problems with risk reporting and recommends how it can be improved in practice.
 - [Climate Change Reporting Framework—Edition 1.0](#) (Climate Disclosures Standards Board 2010) aims to elicit information of value to investors in gauging how climate change affects the strategy, performance, and prospects of organizations.

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