



CERTIFIED MANAGEMENT ACCOUNTANT

QD/65/NEWS/2018

JULY 2018
VOLUME 5 - NO 3



CMA Sri Lanka
continues to
make important
contributions to the
accounting profession
both on a local and
regional level”



Mr. Suresh Gunaratne
Member of Board of Directors -
Chief Financial Officer of
Diesel & Motor Engineering PLC.

**“Integrated reporting is a more objective
and inclusive form of reporting compared
to traditional corporate reporting”**

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Mr. Asite Talwatte
Chairman
Integrated Reporting
Council of Sri Lanka

**“Our intention is to promote
integrated thinking and reporting
through a multipronged approach”**

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INTERVIEW
Rachel Grimes
President IFAC

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IFAC President

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President CMA
FCMA, FCA, FCMA(UK), CGMA, FCPM

Greetings!

I am pleased to note that the Special Issue of "Certified Management Accountant" is published to commemorate the visit of the President of the International Federation of Accountants (IFAC) Ms Rachel Grimes to Sri Lanka. The Accounting Profession in Sri Lanka has reached great heights and we are proud that there are three Sri Lankan Accounting Bodies that are members of IFAC. In the professional field this achievement for three National Accounting Bodies to be members of IFAC is the first in the World and the South Asian Region.



The July 2018 Journal features the President of IFAC and along with the Global Management Accounting Conference has given pride of place to Integrated Reporting having the theme "Integrated Reporting – The Future of Corporate Reporting." This covers a wide range of Integrated Reporting topics delivered by eminent professionals and practitioners from overseas and local. Integrated Reporting explains to providers of financial capital and other stakeholders how an organization creates value over time using both financial and non-financial information.

IFAC Considers integrated reporting as the way to achieve more coherent corporate reporting system, fulfilling a need for a single report that provides a fuller picture of organizations' ability to create value over time; Strongly supports the International Integrated Reporting Council (IIRC) and the implementation of the International Integrated Reporting (<IR>) Framework; Believes that the integrated report can be used as an "umbrella" report for an organization's broad suite of reports and communications, enabling greater interconnectedness

between different reports and recognizing that there is a range of different frameworks and regulations available and under development.

My heartfelt gratitude is extended to all authors of articles for the high quality articles published in the journal. We are confident that our members and other readers will be benefited by reading these articles.

CMA Sri Lanka recognizes outstanding companies submitting Integrated Reports and have organized the annual "CMA Excellence in Integrated Reporting Awards-2018". I wish to thank all companies taking part in this competition and displaying high quality integrated reports. We are thankful and honored by the presence of the President of International Federation of Accountants (IFAC) Ms Rachel Grimes who will deliver the key Note Address and distribute the awards. The judging of the awards is undertaken by an eminent panel of judges from Singapore, South Africa, India, UK, Canada and Sri Lanka supported by an evaluation panel.

Our special thanks to Ms. Rachel Grimes, the President of International Federation of Accountants for providing a fruitful interview for the journal. I also wish to take this opportunity to thank all the authors and the two interviews on <IR> from practitioners in Sri Lanka for their valuable contributions to provide a high quality Certified Management Accountant Journal. With these successes we are planning to have a quarterly News-Letter and a minimum of two journals to be published in the coming year.

My grateful thanks to the Chairman and Members of Journal Committee and the Secretariat for their great effort in bringing out this edition. I am confident that the CMA Journal will provide contemporary and quality articles of benefit to the corporate world and government institutions as well as our membership and enable the management accounting profession reach greater heights.

I wish the 5th volume of CMA journal all success and that it will make a major contribution to develop the Knowledge Economy in Sri Lanka.

*Message
from the
Chairman
Journal Committee*

Adrian Perera

FCMA, MBA(PIM-USJ), FCMA(UK),
CGMA, BSC. (Acc)



Certified Management Accountants ('CMA') of Sri Lanka has grown over the past few years to become the most sought after Management Accounting qualification in Sri Lanka. CMA Sri Lanka has been at the forefront in training its members to become value generators to their organization through seminars, CPD events and through the member journal.

With sustainable development goals (SDG) becoming a major milestone for institutions, integrating these goals with the organization goals is going to be the key factor in organization strategy. Integrating global SDG with organization goals requires an Integrated mind set

with Integrated thinking backed by Integrated reporting and Integrated strategic planning.

This year CMA Sri Lanka is proud to host IFAC President at the Global Management Accounting conference and our main focus is on Integrated Reporting and more emphasis is on Integrated thinking which is the way forward to achieve sustainable development goals.

I would like to thank all paper writers for their contribution to the journal and the staff of CMA Sri Lanka and the President of CMA Sri Lanka Prof Lakshman R Watawela for being a pillar of strength to us.

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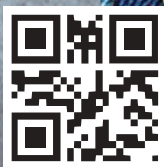
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Appointed President in 2016, Rachel Grimes has served on IFAC's Board since 2011. She was nominated by CPA Australia and Institute of Chartered Accountants Australia (ICAA), now the Chartered Accountants Australia and New Zealand. As IFAC President, she instituted a Board-level Technology Advisory Group to ensure critical data and information technology advances receive appropriate Board consideration.



Rachel Grimes
President IFAC

Ms. Grimes is currently Chief Financial Officer, Technology, Finance Strategy, Transformation and Progress at Westpac Group, a multinational financial services firm. She has more than 28 years' experience across the financial services sector, working with Westpac and BT Financial Group as well as for PwC.

Ms. Grimes joined the then Institute of Chartered Accountant Australia (ICAA) in 1994. In 2002, she advanced to Fellowship before being appointed as a Director in 2006 and President in 2011.

What are those aspects from your professional career that were instrumental in your appointment as IFAC president?

As CFO for the technology division of one of Australia's largest banks, I'm passionate about technology, and I'm passionate about our profession.

My modus operandi has always been to roll up my sleeves to complete the job at hand, and volunteerism is a key belief. These commitments have helped me serve the accounting profession and IFAC well throughout my term as president.

What challenges does the profession face in some of the places you visited, and how can these challenges be managed?

Around the world, globalization is being challenged as never before—despite the creation of unprecedented wealth, millions lifted out of poverty, and decades of a stable world economy. However, even in this positive economic environment, I believe there are three key opportunities for the profession to further distinguish itself.

The first opportunity is to highlight our role in—and the importance of—adopting global standards. Economies need jobs to survive, and our profession's standards help facilitate business and drive capital flows and subsequently economic growth.

The second opportunity is to emphasize the value of the international Code of Ethics, and

what it means to be a professional accountant. The Code of Ethics has been restructured to make it easier to use, and it will come into effect in 2019.

The third key opportunity—and related to attracting next generation talent—is harnessing the power of technology. Technology is a key driver of change. Whether it's artificial intelligence, blockchain, cybersecurity or big data we must not only adapt, but get ahead of the curve to meet evolving and future business mandates.

Are there more similarities or more differences between accounting professionals in the different countries you visited?

The global accounting profession is truly impressive—accountants are also business leaders, change makers and will always be champions of the public interest.

Of course, accountants face diverse challenges around the world. We see tangible differences between the profession in countries with professional accountancy organizations (PAOs) and those without.

PAOs provide critical infrastructure for the profession to flourish, including training and continuing education at a time in which the half-life of knowledge is shortening with each day. As such, IFAC works with our members and others to help establish PAOs across the globe.

Global trends such as technology, talent acquisition and globalization are also

reaching into every pocket of the world—impacting both the public and the private sector. So while the challenges we face may be different, we must work together to create and enact solutions that, in aggregate, drive our global economy forward.

From a global perspective, what are the biggest challenges the accounting profession faces in the next 10 years?

Embracing technology, particularly for those in the middle or later stages of their career, is a key challenge. It's important to remember that accounting is never dull—it is a lifelong profession.

Technology-driven change is already underway, in our profession and in virtually every other aspect of our lives. Cloud-based computing, hosted applications, big data, and the rise of machine learning are already transforming the world of work and finance and accounting. It's vital that the profession really embraces technology so that that we—and next generation accountants—are ready to meet the challenges of the global economy.

Talent acquisition and remaining an attractive profession to the world's best and brightest will be ongoing challenges for the global profession. With this comes a diversity mandate—not diversity for diversity sake. Taking steps to achieve greater gender parity in the accounting profession, not just at the entry level but in senior and management positions, will both

improve organizational financial performance and reputation—and provide a higher return on equity than companies with less diverse leadership.

Finally, we must be flexible and nimble on where and how we consider looking for new talent.

have made massive leaps using smartphones. This has enabled people to access their personal finances and to gain access to financing and lending.

can quickly generate information, expert professionals are required to transform this into value. It will be a very long time before a machine can match a human's brain for nuanced judgement, or be able to approach problem solving based on the Code of Ethics.

There is a corresponding need for more professionals able to translate available raw data, combined with knowledge of an industry or function, and make it actionable by the rest of an organization.

How much has professional development progressed or changed during your two years as IFAC president?

During my two years as president, IFAC has made great strides in developing the profession and expanding accountancy development opportunities on a global scale.

Through our work with the UK Department for International Development (DFID), we've made an impact in various parts of Africa and Southeast Asia to enhance the profession's capacity.

When it comes to professional development for accountants, adopting and anticipating technology evolution is a key area of focus. Through the IFAC Board's Technology Advisory Group (TAG), we are working to stay ahead of the curve on technology trends and their impact on the profession to support accountants across the globe in areas such as blockchain, artificial intelligence, cybersecurity and data analytics.

How does the technological sophistication differ between accountants in different markets?

Irrespective of geography, you can be assured that technology will impact your job. In many parts of the world, where the latest technology is not available, citizens

In fact, developing countries often have an advantage in technology adoption, as they do not pay for legacy systems and tend to be fast adapters.

When it comes to artificial intelligence and other transformational technology, there will be an evolution in the years to come. While technology





- Conducting scalable, employable and updated post-qualification course on information system audit
- World class forensic accounting and fraud detection training
- Hands-on training through forensic laboratories
- Establishing a digital competency maturity model to help upgrade firms in the digital landscape
- Conducting research on emerging technologies, including AI, cloud computing and robotics
- Running an executive development program focused on blockchain
- Supporting capacity building in digital ecosystems of stakeholders including banks
- Establishing an incubation center for blockchain technology

Additionally, there are various other means through which IFAC supports our member organizations to gain recognition and grow and support their members. Through our PAO Capacity Building Program, IFAC works with member organizations to advance their mission and amplify their voice on the global stage.

Earlier this year, for example, we developed a guide to raise awareness and improve governance practices for our member organizations, which

many recognize as an impactful resource.

It's great to see how our profession responds to changes in the global business landscape. For example, one of our member organizations has created a world-leading Digital Accounting and Assurance Board. It already identified—and is now building—digital competencies to ensure accountants can thrive in the digital era. It has established 14 initiatives to position the profession for the future, some of which include:

What advice can you offer women who are seeking a career in financial services?

Flexibility is of great importance for women in our field. For those women who want to start a family, accountancy is a field you can enter, leave and reenter without needing to start over. Seeking opportunities to support the creation of maternity and paternity leave is crucial, and the world is moving toward corporate cultures that are more supportive of families.

Also, women shouldn't wait until they feel fully prepared to take on new roles and leadership openings. Don't just 'lean in', PUT YOUR HAND UP for every opportunity. Volunteer where you can help. When you volunteer, you're not only serving the cause at hand, but also broadening your skillset and creating an outstanding network at the same time, creating lifelong opportunities.

How do you maintain a work/life balance?

Always an interesting question. Work/life balance, or as I prefer to see it, my "circle of life" comprises a variety of factors. 1. Family and friends; 2. Career; 3. Putting back into the profession; 4. Charities and volunteering; 5. Time for me.

Volunteerism is, in many ways, the backbone of the global accounting profession. Without the driven and expert volunteers that advise boards, chair audit committees and promote adoption of standards, the state of accounting would be very different.

At a personal level, I have many great friends and I love to go to any kind of sporting game. I think sport offers lots of life-lessons, from collaboration and teamwork to strategy and execution.

Which other female leaders do you admire and why?

I greatly admire former Sri Lankan Prime Minister Sirimavo Bandaranaike. As the world's first female head of government, her presence and leadership sent a strong message to the world that women are holding ranks in society's highest positions.

Sri Lanka is also home to one of the world's finest women's cricket teams. As a huge fan of the sport, I have much respect for the team and its captain, Chamari Atapattu.

What do you want IFAC to accomplish during your period of office as President?

It is a great privilege to serve as IFAC's President during our 40th anniversary year. We have taken this moment to honor our past and look to the future.

From day one, it has been important for me to advance IFAC's role in a few key areas. As has become clear, technology is a key area of focus for me. As such, I've developed the Technology Advisory Group (TAG) to help advise and drive the profession forward in these times of evolving technological capacity.

Wherever there is the opportunity to promote adoption of standards and collaboration on the global stage, IFAC will also be there as an advocate and partner. We have made great strides on this front during the past two years, and have set the stage to continue making a positive impact.

Another important facet of my presidency has been promoting the role of ethics in the profession. The International Ethics Standards Board for Accountants recently released the updated Code of Ethics, which will go into effect in 2019. The ethical calling of our profession is like no other, and it is in our greatest interest to ensure that our high ethical standards are not only maintained, but advanced.

Finally, the Monitoring Group consultation has been a central and ongoing activity. We must ensure that international standards serve the public interest. At the same time, we look forward to the resolution of this journey as we focus on our work to enhance the lives of accountants across the globe.

What should accountants do to succeed in global business?

As the global business environment continues to evolve, our profession must remain dynamic.

There is great opportunity for accountants to assert ourselves as drivers of global business as we push into the third decade of the 21st century. We must understand how accountants' roles will change, and analyze and instill the skills we need to adapt.

To succeed in an increasingly globalized business environment, adaptability is of increasing importance for accountants. In particular, it's important to maintain a global view, embrace—not fear—change, and use every opportunity to challenge and update your own thinking.

As governments, regulators and businesses work to rebuild trust in their economic management and transparency, our profession has a golden opportunity to show that it is an important part of the solution:

- Accountants are highly educated professionals.
- Accountants are skilled and strategic business advisers.

- And the work of accountants, underpinned by an international Code of Ethics, stands with the public for the public interest.

Accountants are employed in every key organization, from government to corporations and small business. Regulators must look to our profession to provide expertise that they do not possess—and know that our advice is based on a passion for high-quality information that is grounded in the public interest.

How has your employment experience aided your position at IFAC?

At Westpac—Australia's oldest bank, and oldest company—I serve as CFO of the bank's technology division. Overall, the bank employs more than 1000 accountants representing 2.5% of the Westpac workforce.

And as CFO for Technology, I've been able to bring a new level of technology thinking to the presidency, and create a new IFAC Board-level advisory committee on technology. It is comprised of experts from around the world and is now chaired by IFAC Board Member Phillippe Arraou, who has written a book about technology's impact on the profession.

What have been the highlights and challenges been during your tenure at IFAC?

Celebrating IFAC's 40 years, recognizing the volunteers and professionals that have made us what we are, and advancing harmony in global standard setting

and implementation within the context of the current Monitoring Group consultation.

IFAC is a door-opener to world leaders. Everywhere I've traveled, there is recognition of the huge role that accountants play in the global economy.

Another highlight has been getting to speak with students from across the globe as they aspire to grow in their careers and to see how they use technology. It's their first language and our profession is in great hands based on what I've been able to see!

What do you think is the single biggest challenge for the accounting profession worldwide?

Technology is already changing the way we work. It's changing the face of the profession as we know it and will continue to do so in the future. Evolving to meet both technology imperatives and hiring imperatives will require embracing and collaborating with the next generation of accountants.

The profession is more exciting and interesting today than at any point in its long history. Technology, our focus on the U.N.'s Sustainable Development Goals, and integrated reporting are all interesting and attractive to young people who want a career that makes a real difference to society.

You are only the second female IFAC president in the organization's 40-year history, and you've previously been

vocal about diversity and inclusion within the workplace. Are gender issues in the accounting profession being nullified as quickly as they should be? Can more be done?

I am honored to be the second female IFAC president; no one will care when we get the third.

Over the last few decades, the business world and the accountancy profession have certainly become more inclusive environments. But more remains to be done; even in nations and sectors where diversity has become more common, inclusion and advancement remains a challenge. For example, in emerging economies women comprise less than 5% of partners in accounting firms.

I think we need to recognize that all around the world there is a competition for the best and the brightest.

In many countries, there is more demand from young people to enter accounting degrees than there are university places to offer them. So while I don't believe we have a problem attracting young people to study accounting, I do think we can do better at telling young people the story of our profession's diversity while doing more within the profession to encourage both greater diversity of socio-economic background and more women in leadership positions.

Diversity improves organizational financial performance and reputation, and companies with diverse leadership enjoy



a higher return on equity than companies with less diverse leadership. Likewise the global accountancy profession can only fulfill its potential when it draws leaders from the widest talent pool and then incorporates their perspectives, ideas, and talents into its thinking.

How do you see the development of the Accounting Profession in South Asia with special reference to Sri Lanka?

CMA Sri Lanka continues to make important contributions to the accounting profession on both a local and regional level. In Australia, I've worked with many Sri Lankan accountants.

Sri Lanka has many nominees for IFAC committees and the independent standard-setting boards. Within IFAC, Arjuna Herath chairs the PAO Development

Committee. Sri Lanka also lends its experience to the international standard setting boards. Reyaz Mihular serves on the International Ethics Standards Board for Accountants and Hector Jayasinghe serves on the International Accounting Education Standards Board. In addition, Sujeewa Mudalige was formerly on the Nominating Committee.

IFAC leadership and senior officers have made many visits to Sri Lanka to support the profession's growth and, in 2014, the South Asia conference on Financial Reporting for Economic Development (FRED) was staged by the Institute of Chartered Accountants Sri Lanka together with the Confederation of Asian and Pacific Accountants, IFAC and the World Bank.

There are also excellent efforts to encourage individual personal

and professional growth. A good example is the recent speech crafters competition by the CMA Sri Lanka Toastmaster Club. Accountants have outstanding analytical skills, but leadership depends on great communication skills. What were once regarded as "soft" skills are increasingly important to career progress and delivery of a high-quality client experience.

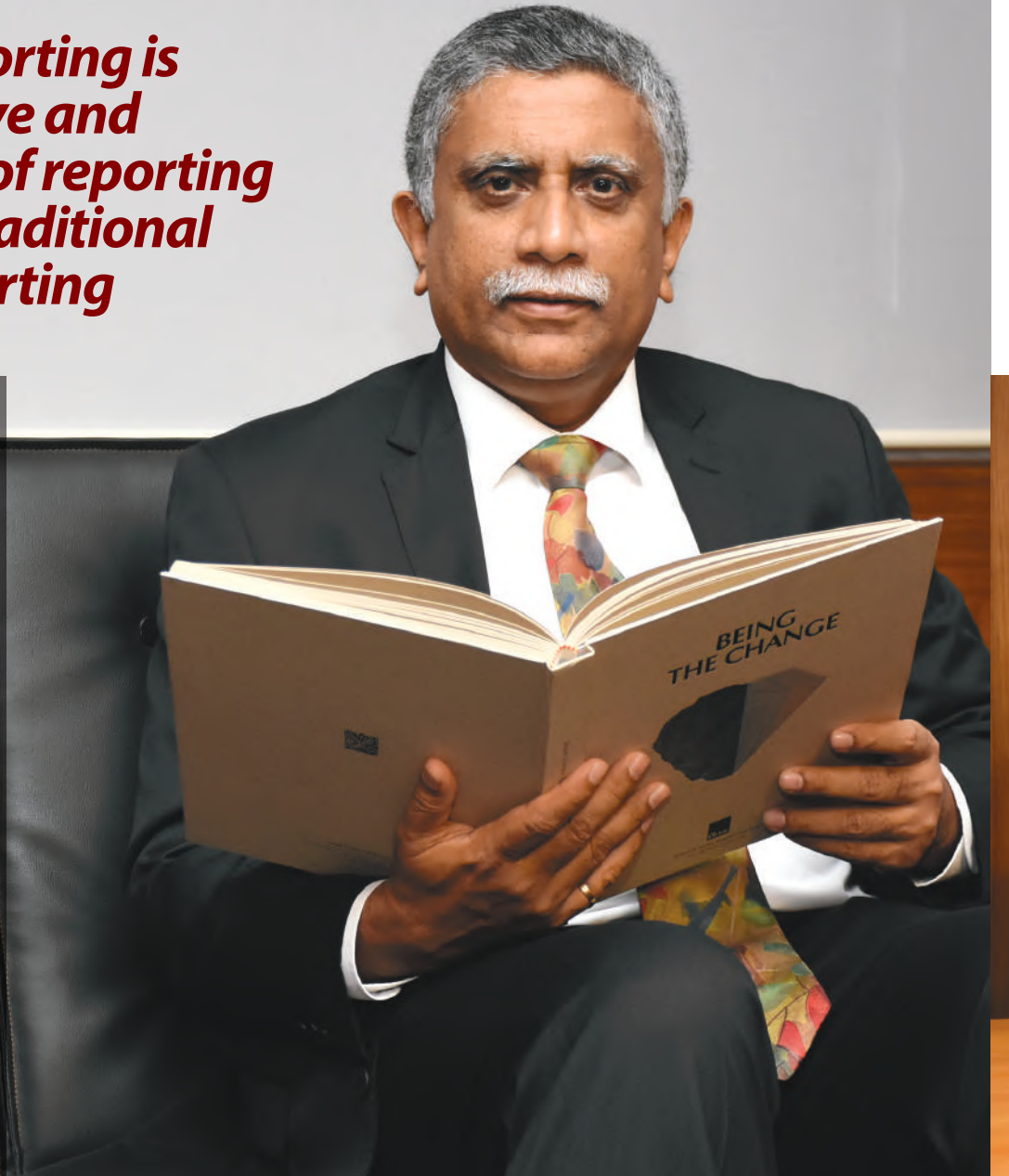
Integrated reporting is another area where Sri Lanka, and the region, continues to excel. It's great to see commitment to integrated reporting, which is a critical tool for accountants to secure a sustainable future for us all.

The profession is vibrant and well-represented in Sri Lanka—the country's three professional accountancy organizations speaks to this strong national representation.

Integrated reporting is a more objective and inclusive form of reporting compared to traditional corporate reporting

Mr. Suresh Gooneratne is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka and is an alumni of KPMG, Colombo. He holds a Master of Business Administration Degree from the Post-Graduate Institute of Management, University of Sri Jayawardenapura.

Mr. Gooneratne is a member of the Board of Directors and the Chief Financial Officer of Diesel & Motor Engineering PLC. He is also the Alternate Chairman of the Integrated Reporting Council of Sri Lanka.



01. How is integrated reporting different from traditional corporate reporting?

Integrated reporting is a more objective and inclusive form of reporting compared to traditional corporate reporting.

Traditional corporate reporting is compliance driven and focuses mainly on short term monetised value creation. In addition, it may

cover various aspects relating to governance and sustainability.

Integrated reporting, on the other hand, provides a holistic picture of the entire organisation's value creating ability and the factors that affect this ability. It is also more forward-looking. An integrated report is expected to articulate how the company creates value in the short,

medium and long term, and should present material information about the company's strategy, governance, performance and prospects in a clear, concise, connected and comparable manner.

2. What is your business case for adopting integrated reporting?

What comes out in an integrated report is what takes place in reality within an organization and its environment. Therefore, there are many actions that should precede integrated reporting. These include the identification and articulation of strategy,

of aspects that could materially affect value creation.

From a stakeholder point of view, an integrated report projects the organization's value creation ability and its true value.

3. What were the major barriers faced when implementing integrated reporting?

I firmly believe that integrated reporting is a journey and quality of the report will improve as we go on. Inevitably, challenges will remain. At the same time, there will be ways to overcome such challenges.

I must emphasize that the availability of information and data should not be considered a major barrier to commencing integrated reporting. The report is expected to carry what is material for value creation – and this information should ideally be available in the existing management systems of the organization.

4. Who are the intended users of an integrated report? and how do you balance information requirements of multiple stakeholders?

The <IR> framework identifies providers of financial capital as the primary user of an integrated report. At the same time, the framework also acknowledges that all stakeholders interested in an organization's ability to create value over time could benefit from it.

An organisation is free to identify its potential users based on the nature of their business, and may prepare an integrated report accordingly upon conducting a materiality analysis that provides the basis for reporting content.

5. How does connectivity of information; one of the guiding principles stated in <IR> framework, enhances the quality of the integrated report?

In my view, connectivity is one of the most important principles

resources and relationships; dependencies; business models; connectivity; trade-offs, as well as risks, opportunities, impacts and outcomes. Identification of these aspects helps to improve internal management systems, and allows an organization to install processes to monitor them. Therefore, the cycle preceding integrated reporting helps to promote and facilitate effective management

DIMO, like most similar businesses, is a complex and a dynamic organisation. Attempting to document the working of a business in a rapidly changing environment is no easy task. Therefore, articulating our value creation story giving due emphasis to material aspects and connectivity, involves a fair amount of senior management time and effort.





that differentiates an integrated report from a traditional report as the connectivity aspect largely contributes to constructing a complete picture of the organisation.

<IR> framework suggests key forms of connectivity of information that include connectivity between content elements, capitals, past present and future, quantitative and qualitative information, financial and other information etc. Understanding the connectivity

among material aspects of the organisation and how they work together to create value is a key part of integrated thinking. This understanding not only improves the quality of the reporting content but more importantly, enhances the effectiveness of the internal decision-making processes.

6. What is the role integrated thinking plays in integrated reporting and materiality determination?

Integrated thinking requires a clear vision of what drives value in the organization, and that vision must be consistently held throughout the organization. It promotes a shared understanding of how value is created by breaking down internal silos. It helps to identify what could make a material impact on value creation.

I believe that integrated thinking is an essential element of successful entrepreneurship. With the introduction of <IR> framework

in 2013, this terminology has been brought into the corporate vocabulary, highlighting its importance. Focusing on integrated thinking helps in decision making whilst improving clarity and effectiveness in communications with stakeholders.

7. What is the importance of recognising material trade-offs, both between the different forms of capital and over time?

Investing capital in various value creation activities results in the advancement or degradation of the value of the same or another capital, in the same or a different time horizon. Therefore, an organization must evaluate and manage instances where any material trade-offs take place. In doing so, the strategic relevance of the trade off and its feasibility in terms of resource allocation should be reviewed. Although this sounds a cumbersome exercise in practice, the development of a management system over time will make the effort worthwhile. Perhaps in time to come, technology initiatives in integrated reporting may facilitate this further.

8. Corporate Governance plays an important role in driving business performance. How do you align this vital component in to your value creation story?

The governance responsibilities bestowed upon the Board cover conformance and performance. The conformance aspect provides a solid base for value creation

by creating an environment of self-regulation. This ensures that all resources deployed work unhindered within the corporate policy framework. On the other hand, in discharging the performance obligations, the Board directs the organization towards its strategic objectives. This encompasses the complete value creation process from the inputs drawn from the capitals, to the effects on the capitals and the outcomes.

An organization will have structures and processes in place to deliver on the conformance and performance aspects. An integrated report can present how such structures and processes ensure value creation within the corporate policy framework.

9. What can you do to enhance the credibility of information disclosed in an integrated report?

There are a few options that we can explore. There are services available for independent external assurance of non-financial information. An organization could make use of these services. The financial statements will be taken care of by the independent external auditor of the company. We could also include a statement from the Board of Directors on the integrated report. Adherence to the <IR> framework will also enhance the credibility of an integrated report.

Strengthening the internal controls relating to both monetised and non-monetised

information, and routine internal audit reviews of the processes relating to generating information would also improve credibility.

10. How would you encourage a company adopt <IR>?

The business case for integrated reporting, as discussed earlier, should encourage businesses to adopt integrated reporting as it complements a management system that focusses on the monetised and non-monetised aspects of a business, giving due importance to capitals and other aspects that could impact value creation.

Integrated reporting also promotes greater transparency and the presentation of concise and useful information that will depict the true value of a business. This will result in investors having a better understanding of the value creation ability and the value of their investment.

Having said that, I firmly believe one should evaluate their own business case prior to adopting <IR> and establish their expected benefits. This ensures that one's <IR> journey is focused.



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Integrated Thinking into Practice: A Balanced Scorecard Application

Keywords:

Integrated reporting, integrated thinking, balanced scorecard, sustainability reporting, non-financial information

Introduction

The focus in corporate annual reports changed with the need to disclose non-financial information in response to the emergence or sustainability concerns during the 1990s. Today, this change has evolved into a set of guidelines for integrated reporting issued by International Integrated Reporting Council (IIRC). This has developed into influencing business decisions and control in the name of integrated thinking. Integrated Reporting (IR) and integrated thinking are still in vogue in academic discussions.

IIRC, in its statement on integrated thinking, announces that "... we welcome the continuing research and illustration of leading practices in integrated thinking, which is of immense benefit to boards and preparers, and to furthering the intellectual underpinning of IR" (p.7). The South Africa Institute of Chartered Accountants (SAICA)

emphasizes the need for further clarity in the meaning especially of integrated thinking: "the Framework of IR emphasises that effective integrated reporting is dependent upon an organisation's ability to successfully implement integrated thinking. However, it does not discuss in any detail how integrated thinking can be achieved" (SAICA, 2015 p.2).

IIRC's explanations of integrated thinking are questionable compared to the origin of sustainability concerns described in sources such as King I, II and III reports of the Institute of Directors of South Africa (IDSA), Global Reporting Initiative (GRI), Accounting for Sustainability (A4S) project, and Integrated Reporting Committee (IRC) work. On the other hand, IIRC guidelines are still not mandatory requirements requiring

compliance. Thus there are diverse applications (Rowbottom and Locke, 2013), implying that room for improvement is still available. Accordingly, this paper aims at suggesting Balanced Scorecard framework for the purpose of implementing integrated thinking.

This paper presents the argument by way of a literature review and rest of the paper is structured as follows. The immediate section describes emergence of integrated reporting to understand the original intentions of integrated reporting. Next, the conception of integrated thinking is discussed to understand its articulation and need. This is followed by a discussion of implementing integrated thinking. Then the Balanced Scorecard framework is suggested as a means of bringing integrated thinking into practice in a business firm. Next the paper presents its conclusion.

Emergence of integrated reporting

The concept of Integrated Reporting (IR) emerged in response to sustainability concerns. It resulted in combining financial information and non-financial sustainability information. Such integrated reports are produced since 2002 with a greater diversity in their nature, size, motivation and intended audience (Rowbottom and Locke, 2013).

To Guerra et al. (2018) environmental degradation and depletion of natural resources are among the most challenging subjects of the 21st century. In 1992, the United Nations Conference on Environment and Development (UNCED) introduced the concept of sustainable development as a public policy goal (Rowbottom and Locke, 2013). According to Dumay et al. (2016), in 1994, South Africa's King I report introduced a new corporate governance practice with a multi-stakeholder focus moving beyond shareholders. During late 1990s and early 2000s the idea of managing, measuring and reporting an organisation's social, environmental and economic impacts gained prominence. Society was questioning the narrow focus on wealth creation as the reason for the existence of a business firm (Gray, 2006). During this period the triple bottom line framework was developed to understand value creation by a business firm from economic, social and environmental perspectives (Dumay et al., 2016). In 2000 the Global Reporting Initiative (GRI) appeared as a further step forward [on concerns by a US financial investor group had in 1997 seeking disclosures relating to environmental information] (Beck

et al., 2017). By 2004 HRH Prince of Wales initiated the Accounting for Sustainability (A4S) project to ensure that we are not 'battling to meet 21st century challenges with, at best, 20th century decision making and reporting systems'. IR emerged as a response to the Prince's statement.

After the earth summit of 2002, the King II Report appeared introducing 'integrated sustainability reporting' realizing the need to re-write the King I Report (Gleeson-White, 2014). In 2006, GRI launched its G3 guidelines, which boosted its international recognition as the main non-financial reporting framework (Beck et al., 2017:192). The King III Report was issued in 2009 (Dumay et al., 2016). In August 2010, two sustainability reporting institutions - GRI and the Prince's A4S project founded the International Integrated Reporting Council (IIRC), which issued the final version of directions for preparing Integrated Reports in 2013 (Mio et al., 2016).

However, IIRC's conceptualization of IR is different from the founding interest of sustainability. Dumay et al. (2016) reveal how commentators such as Milne and Gray (2013) and Flower (2015) argue that IIRC in its IR framework has deviated from sustainability focus to investor focus. Section 2 (p.11 – 14) of IR Framework (2013) provides evidence of this deviation. Explaining possible reasons to this effect, Flower (2015) reveals that the original membership of IIRC did not have an adequate representation of social and environmental stakeholders.

Integrated Thinking promoted by IIRC should be considered in

this context. The order of Integrated Reporting or Integrated Thinking within an organisation is not clear. To IIRC, some organisations may start with Integrated Thinking and others may adopt IR hoping it would drive strategic alignment and integrated thinking. However, it is well established that integrated thinking is an integral part of IR and they have a cyclical relationship.

Integrated Thinking

Integrated Thinking, the concept coined by IIRC, is the foundation required to produce an Integrated Report. According to IIRC (2013, p.34), Integrated Reporting is a 'process founded on integrated thinking that results in a periodic integrated report by an organisation about value creation over time and related communications regarding aspects of value creation'. To SAICA (2015) it is obvious that organisations cannot prepare a credible Integrated Report unless the conditions and processes that prevail within the organisation are conducive to it. Such conditions are described as integrated thinking.

Integrated thinking is needed to maintain a balance between profit maximization and social and environmental sustainability in a business enterprise. Martin and Austen (1999) first introduced the concept of 'integrative thinking' as part of a decision-making model seeking to enable managers to solve the tension between two (conflicting) choices, namely, profit maximization and social and environmental sustainability. The root of the IIRC concept of integrated thinking can be traced to the HRH Prince's A4S project, which seeks to urge decision making of business organisations to maintain

a balance between financial focus and focus on environmental sustainability.

IIRC (2013) defines integrated thinking as 'active consideration by an organisation of the relationship between its various operational and functional units and the capitals that the organisation uses or affects' (p.2). This emphasises the maintenance of a relationship between organisational processes and the capitals it uses. The term 'capital' has the meaning of investment in a business enterprise. IIRC (2013) recognizes six capitals, namely, monetary, manufactured, intellectual, human, social and relationship, and natural. Monetary capital indicates the financial investment by shareholders or owners and manufactured capital indicates the physical facilities available to an organisation. Intellectual capital indicates the knowledge and skills of managers invested in the business. Human capital is the training, workmanship and loyalty invested by employees of the firm. Social and relationship capital is the positive relationship with customers, suppliers, government and other social institutions invested in the business. Natural capital is the natural environment and public facilities that are available to facilitate the business operations. Financial focus and thereby financial earnings are needed to maintain the first two capitals, namely, financial capital and manufactured capitals. Financial capital represents investment by shareholders or owners and therefore financial focus is needed to earn returns for owners' investment. Manufactured capital represents part of the funds invested to facilitate business operations and financial returns are needed to maintain these facilities.



However, financial focus of a business enterprise can affect the relationship with the other four capitals, which are investments by outsiders. For example, focus on profit maximization for shareholders can affect the relationship with human capital invested by employees. Hence, for sustainable growth, a business enterprise needs to maintain a balance between relationships with the former two capitals and the latter four capitals. Focus on the former two capitals is financial and on the latter four is non-financial. Thus, sustainability requires a balance between financial and non-financial focus in business operations. In that sense, the wording of IIRC "relationship between organisation's various operational and functional units and the capitals the organisation uses" needs to be interpreted as "active consideration by an organization to maintain a balance between financial and non-financial focus

in business operations to make sure the continued availability of these capitals for further use by the organisation".

Although, IIRC rightly identifies the importance of value creation for all capitals, the emphasis rests only on financial capital providers. For example, IIRC's Managing Director of Global implementation, in the foreword to the Handbook on Integrated Thinking Journey Check the title of this publication [by Network Italiano Business Reporting (NIBR)] (p. 5) emphasises the effect of integrated thinking on financial capital providers: 'Integrated thinking also has positive ramifications on the quality of dialogue between boards and providers of financial capital, helping to achieve greater accountability, a longer-term focus and more efficient capital flows to drive investment and productivity.' In this message, nothing is mentioned about the significance of capitals other than monetary capitals to the organization.



When business enterprises operate only with financial focus, it leads to the creation of 'silo' thinking among managers to achieve their respective financial targets. Integrated thinking is the 'elimination of silo thinking, which exists to varying degrees in many organisations' (SAICA, 2016 p. 10).

Flower (2015) claims that IIRC's conception of integrated reporting and of integrated thinking both carry a managerial focus rather than a wider stakeholder focus, which is required for maintaining sustainability. To him the very reason for establishing the IIRC in 2010 was to develop a framework of accounting to save the planet following the speech of the Prince of Wales in December 2009 urging the need for a solution for battling with the challenges of meeting 21st century problems with 20th century reporting and decision systems. Hence, it is clear that although IIRC has not focused on capitals provided by stakeholders other than shareholders, integrated

thinking needs to be perceived as maintenance of the relationship between operations of a business firm and its stakeholders, who have financial as well as non-financial investments of capitals in the firm.

Implementation of Integrated Thinking

Integrated thinking to create value for capitals is a policy initiative of a business firm. To SAICA (2015) "from the guidance given in the Framework and comments made in articles, it is clear that integrated thinking is a culture or attitude that should begin at board level and determine the board's agenda and method of operating. However, integrated thinking needs to cascade down and become part of the DNA of the whole organisation, extending through the whole value chain" (p. 10). The challenge in practice of integrated thinking is to embed it in business decisions. IIRC in their statement on integrated thinking says "the IIRC's long-term vision is a world in which integrated thinking is embedded within mainstream business practice in the public and private sectors, facilitated by Integrated Reporting as the corporate reporting norm..." (p.4). IIRC in this statement suggests that "Integrated thinking leads to integrated decision-making and actions that consider the creation of value over the short, medium and long term. It is therefore essential for the development of strategy and provides a valuable connection to the Board (p. 4). Further, it emphasises the need for inculcating an integrated thinking culture: "The more that integrated thinking is embedded into an organization's activities, the more

naturally will the connectivity of information flow into management reporting, analysis and decision-making (IIRC, p. 5).

The IIRC statement quotes findings of researchers indicating that integrated thinking is a "genuine agent for internal change within firms" (IIRC p.12). NIBR of Italy in their 'Focus on integrated thinking: the change journey' suggest a five-step model of change towards implementing integrated thinking. These five steps involve

- (i) identifying relevant issues and stakeholders for the journey
- (ii) identifying and engaging leaders of the journey
- (iii) identifying KPIs and dashboard of the journey (iv) designing and implementing a change action plan for the journey, and
- (v) setting up an Integrated Report on all forms of value creation.

This model illuminates the requirement of engagement by leaders of a firm and some guidelines on cascading down the leaders' plans to operational level, by way of KPIs. However, in this model NIBR uses the existing integrated thinking initiative by IIRC as the reference. Accordingly, they use integrated thinking with managerial focus and in consequence do not show adequate concern for stakeholders other than finance providers. For example, under step (iii) in identifying KPIs, an outcome suggested in respect of the human aspect is 'less turnover and more engagement of sales force and company executives' (p. 20). This illuminates the concern over employees as expectations from the firm's perspective rather than from the sustainability perspective. Moreover, the NIBR model does not adequately address the need

emphasised by IIRC, which states that in planning integrated thinking in a firm, it is also important to consider the legitimate needs of stakeholders other than finance providers: "The more integrated thinking is embedded in the business, the more likely it is that a fuller consideration of key stakeholders' legitimate needs and interests is incorporated as an ordinary part of conducting business" (IIRC p.19). Overall, the NIBR model attempts to identify the main considerations and requirements needed to be considered in implementing a change programme for integrated thinking rather than how integrated thinking could be brought into the decision process of a firm.

To IIRC's statement on integrated thinking, the CGMA report identifies some measures required to implement integrated thinking:

- (i) Balance both financial and non-financial information to capture a broad understanding of all the key value drivers, moving away from a solely traditional view of value in a business environment
- (ii) Drive greater collaboration to make sure that the people with the right knowledge and experience from different business units and functions are involved in making decisions.
- (iii) Place greater emphasis on engagement with external stakeholders to develop a broader perspective of stakeholder value, helping to ensure the organization's strategy is sustainable for the long term in today's fast-changing world.
- (iv) Create greater transparency into how and why decisions are being made, helping to develop a deep understanding of the organization's business model

and align all employees with the wider strategy so they can work towards a common goal, and to facilitate enhanced relationships across the organization (p.9). This set of instructions informs some important steps that could be taken in an effort to bring integrated thinking into practice. However, it does not show a path for a business firm to enter into the integrated thinking process.

Although, useful steps are mentioned in different published documents, a comprehensive and practical framework to guide managers in inculcating integrated thinking is still a need. The Balanced Scorecard Framework (Kaplan and Norton, 1992, 1996, 2004) is suggested as a useful option.

The Balanced Scorecard is a framework to cascade strategic decisions down to operational objectives and control. It translates a business unit's mission and strategy into tangible objectives

and measures (Kaplan and Norton, 1996). It suggests four aspects to be concerned about in making strategic decisions:

- (i) How do customers see us (customer perspective),
- (ii) What must we excel at (internal perspective)
- (iii) Can we continue to improve and create value (innovation and learning perspective) and
- (iv) How do we look to shareholders (financial perspective).

To inculcate integrated thinking in the strategic decisions of executive managers of a business firm the Balanced Scorecard Framework can be adopted. Six capitals in integrated thinking can be brought into the Balanced Scorecard perspectives by extending them to accommodate six capitals as relevant. The suggested integrated Balanced Scorecard perspectives correspond to the original Balanced Scorecard perspectives and capitals can be categorized under each integrated perspective. Each integrated perspective can address the needs of different stakeholder categories as shown in Figure 1.

Figure 1: Integrated perspective for Balanced Scorecard

Original Perspective	Integrated perspective	Category of capital	Stakeholder group considered
Customer perspective	Natural, social and relationship perspective	<ul style="list-style-type: none"> ● Natural capital ● Social and relationship capital 	<ul style="list-style-type: none"> ● Local community, general public and other social institutions ● Customers, suppliers, government
Internal process perspective	Internal process perspective	Manufactured capital	Investors
Innovation and learning perspective	Innovation and learning perspective	Intellectual capital and human capital	Managers and other employees
Financial perspective	Financial perspective	Monetized capital	Investors



According to Figure 1 the four Balanced Scorecard perspectives can incorporate six capitals to be dealt with. Only the original customer perspective of the Balanced Scorecard needs to be altered. The other three perspectives could be adopted with the same label for Integrated Thinking. The internal process perspective and the financial perspective can be adopted as they incorporate the same content. However, customer perspective can be extended to be an integrated perspective as natural, social and relationship capital to incorporate natural capital and social and relationship capital. Natural capital addresses the relationship with the local community, wider general public and other social

institutions. Social and relationship capital addresses the needs of the main business partners such as customers, suppliers and government. The innovation and learning perspective captures intellectual capital and human capital.

Kaplan and Norton's (1996) in 'translating strategies into actions' suggest six steps needed to implement the Balanced Scorecard perspectives;

- (i) Clarify and translate vision and strategy: This includes clarifying business vision and getting consensus of managers thereon,
- (ii) Communicate and link strategic objectives and measures: This includes setting goals, communicating

and educating on them and linking rewards to performance measures,

- (iii) Plan, set targets, and align strategic initiatives: The objectives and measures of the scorecard are derived from the company's vision and strategy. This step involves aligning strategic initiatives, setting targets and allocating resources, and
- (iv) Enhance strategic feedback and learning: This final stage involves articulating the shared vision, supplying strategic feedback and facilitating strategy review and learning.

Thus, Balanced Scorecard has the capacity to set business unit objectives adopting non-financial measures moving beyond financial measures. Using the Balanced Scorecard with an integrated perspective, corporate executives can measure how their business units create value, current and future, for a wider range of stakeholders. To Kaplan and Norton (1996), the Balanced Scorecard is more than a tactical or an operational measurement system. Innovative companies are using the Scorecard as a strategic management system, to manage their strategy over the long run.

Conclusion

This paper considered the need for Integrated Thinking to facilitate Integrated Reporting. It illuminated that IIRC's focus on Integrated Thinking does not sharply focus on sustainability but instead has a dominant managerial focus, where managers attempt to satisfy the investors of a business firm. However, by tracing the original intentions of Integrated Reporting, this paper emphasises that the sustainability perspective needs to be highlighted in Integrated

Reporting and Integrated Thinking. Having traced the meaning of Integrated Thinking with the emphasis on sustainability, this paper examined existing guidelines to implement Integrated Thinking within business firms. It reveals that existing guidelines explain the conditions that should prevail and areas for attention but do not provide a framework for adopting Integrated Thinking in a business firm.

This paper showed how the original Balanced Scorecard perspectives (Kaplan and Norton, 1992, 1996 and 2004) could be extended to Integrated Thinking by identifying 'integrated perspectives'. Noting its usefulness for strategic control, this paper suggests that the Balanced Scorecard Framework with integrated perspectives is useful in implementing Integrated Thinking to create value for the six capitals catering to legitimate needs of stakeholders so that the sustainability of a business firm can be assured.

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Organisational journey towards Integrated Thinking

Over the last few decades corporate reporting has become more transparent and inclusive towards all stakeholder requirements. Companies have increasingly adopted and reported on sustainability initiatives such as social and environmental actions. But internally companies are yet confined to focusing only on financial capital when working through strategy and business planning, resulting in a very siloed approach to sustainability. There is an urgent need for companies to look at how it creates value for a wide range of stakeholders, across all its capitals in the short, medium and long term. Concepts of value creation, multi-capitals and long-term thinking are the cornerstones of future-proofing businesses in an era of rapid technology and climate change.

The Integrated Reporting Framework was published in December 2013 by the International Integrated Reporting Council (IIRC). It provides principle-based guidelines for an organization to understand and communicate how it creates value in the short, medium and long term. An integrated report is the outcome of this process. Integrated thinking is the integration within the organization of all forms of value creation and capitals and their connections in the decision-making process of leaders. A good integrated report is an outward manifestation of a robust integrated thinking process. Churet and Eccles suggest in a journal article that integrated reporting is only the tip of the iceberg: the visible part of what is happening below the surface. What is happening below the

surface is integrated thinking. The IR journey requires an authentic integrated thinking approach that is based on the recognition and proactive management of key capitals and its relationship to business.

The IR framework defines six capitals: financial, manufacturing, environmental, social and relationship, human and intellectual. While the description and classification of capitals may vary within companies, collectively they symbolize all the resources a company uses and /or impacts in its business processes. The focus on natural resources has increased given the challenges of climate change, reduced supply and rampant consumption. Life cycle assessment, end-of-life usage, and circular economy are driving

much needed impetus in this area. But a lot of this effort is made in isolation, with little connection to the business activities. Additionally, there is an urgent need to value intangibles such as human resources, societal relationships and knowledge as key capitals that significantly impact business outcomes, especially in the technology and service sectors.

There are two key elements that can drive and systemize integrated thinking within a company: culture and indicators. Culture is often the key to driving change within an organization starting from the top management and cascading down through every employee. The Board and leadership can define a governance system that embeds a holistic view of issues when making strategy decisions and the long-term

accountability of those decisions. Boards represent investors as well as broader stakeholder interests and therefore should be at the forefront of integrated thinking. While culture addresses the softer aspects, a range of indicators help institutionalize integrated thinking. The integrated thinking journey pushes companies beyond financial metrics towards measuring performance and impact across multiple capitals. Such measures also help understand the interconnection between capitals and how impacting one impacts another. This holistic view paves the way for a robust decision making process and improved allocation of resources and capitals. Some key aspects that can move companies towards an integrated thinking culture and indicators are listed below.

Cultural aspects

- Ability of leadership to account for and respond to multiple capitals,
- Willingness to respond to legitimate interests (beyond financials) of a range of key stakeholders,
- Removing silos and encouraging a total impact based view of business activities.

Indicators

- Instituting indicators that reflect performance and outcomes across relevant capitals,
- Using materiality to determine capitals relevant to business and stakeholder expectations,
- Reporting (externally) on indicators related to Integrated Thinking.

Today there are 1600+ companies across the globe that have adopted the IR framework for reporting. While many of these companies are in the early stages of the integrated thinking journey, there are some who have successfully embraced it even before the term was fully coined. SAP, Unilever, Clorox, and Novo Nordisc are some of the pioneers

whose internal culture and external reporting are aligned towards long-term value creation. An example from SAP is shown where the company identifies four KPIs which are relevant for steering the company - two of them financial KPIs, two of them value driven non-financial KPIs. It gives a flavour of the impacts of these value drivers, despite being subjective.

* Our Corporate Objectives € Impact on operating profit ■ Economic indicators ■ Social indicators ■ Environmental indicators

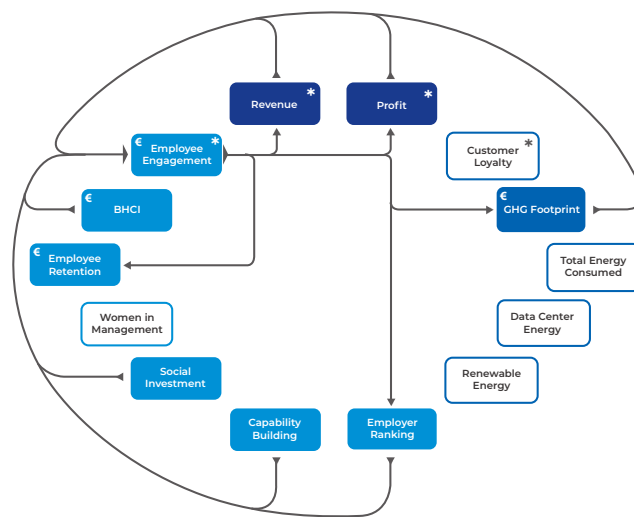


Figure 1: Examples.integratedreporting.org; SAP Annual Report 2015

Think tanks and researchers are now investing in efforts to understand how companies can effectively drive integrated thinking within their businesses. NIBR, the integrated reporting forum in Italy, advocates a change management approach. SAICA, the South African Institute of Chartered Accountants, presents a causal loop as a tool to manage integrated reporting and thinking. IIRC has recently launched a special interest group on 'Integrated Thinking and Strategy', which will bring together companies to share best practices that can be leveraged and adopted by others across the globe.

The 5 key success factors of a change action plan for integrated thinking are:

1. An organic and comprehensive **action plan** engaging internal and external stakeholders.
2. Comprehensive cultural changes do not happen overnight; it **takes time** to go from **awareness**, to **capability**, to full **engagement** on integrated thinking and reporting.
3. **Multifunctional Steering Committee for Change.**
4. Specific and measurable **targets and KPIs** to monitor lead the change.
5. **Capitalization of existing tools** and initiatives.

Figure 2: NIBR Integrated Thinking handbook

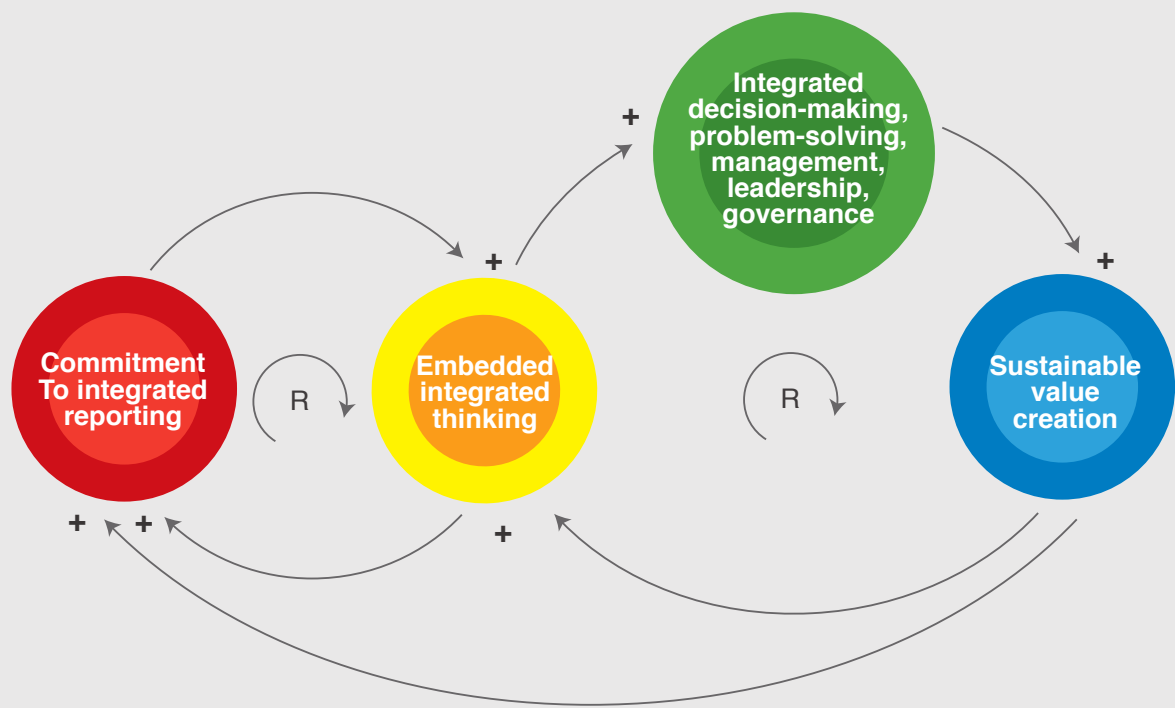


Figure 3:SAICA Integrated Thinking Landscape




Mr. Asite Talwatte

Chairman
Integrated Reporting Council
of Sri Lanka

Asite is the Chairman of Management Systems (Pvt) Limited (MSL). He is a fellow member of CA Sri Lanka (CASL) and CIMA U.K. Asite has a Post-Graduate Diploma in Business and Financial Administration awarded by CASL and the University of Wageningen, Holland and has a MBA from the University of Sri Jayawardenapura, Sri Lanka. Asite has also participated in a Kellogg Executive Programme at the Kellogg Graduate School of Management, Northwestern University, Evanston, Illinois. Asite worked at Ernst & Young in Assurance, Business Risk and Advisory Services for 37 years of which 10 years he served as Country Managing Partner prior to his retirement. He has worked

with Ernst & Young in Cleveland, Ohio and has served on Ernst & Young's Far-East Area Executive Committee, The Area Advisory Council and served on the ASEAN Leadership Committee. He was President of the Institute of Chartered Accountants of Sri Lanka (CASL) for a two year period in 2002/2003 and the CIMA in 1995/96. He served as the Chairman of the Statutory Accounting Standards Committee and the Auditing Standards Committee, the Urgent Issues Task Force and the Examinations Committee of ICASL. He has been closely associated with the development of Corporate Governance in Sri Lanka. He was actively involved with the Code of Corporate Governance

of 2003 and the Code of Audit Committees in 2002, co-chaired the Committee which revised the Code of Corporate Governance of 2008 and the Listing Rules, co-chaired a Committee on Corporate Governance set up by CASL jointly with the SEC to review and revise the Code of Corporate Governance in 2012 & the voluntary code of 2017. He chairs the Integrated Reporting Council in Sri Lanka. He also serves as a non-executive director on boards of listed companies, public & private companies.

Q 1.0 Thank you for giving us this interview. Could we start by asking you about the International Reporting Council of Sri Lanka?

A The Integrated reporting Council of Sri Lanka (IRCSL) was established in April 2016 under the auspices of the International Integrated Reporting Council (IIRC) of United Kingdom. CA Sri Lanka has membership of IIRC and facilitated setting up of the Sri Lankan Council. The members of which are CASL, CMA, CIMA and ACCA. All of these Accounting Bodies have representatives on the Board of Management. I am privileged to be its first Chairman.

In addition, we have an "Advisory Committee" represented by Universities, the SEC, CSE, SLAASMB, Central Bank, Auditor General's Department, Chamber of Commerce, Registrar of Companies and a member each from the Companies that adopt Integrated Reporting.

Q 1.1 As Chairman of the Integrated Reporting Council of Sri Lanka what are your plans to promote IR among Companies in Sri Lanka?

A Our intention is to promote integrated thinking and reporting through a multipronged approach.

Firstly, to enhance the knowledge of our accounting fraternity, financial community, reporting corporates and academia. Towards this we arrange webinars, seminars and workshops to

disseminate knowledge, share best practice, debate the pros and cons and practical realities in adoption.

Secondly, through our member organization CA, CMA, CIMA and ACCA we encourage activities supportive of IR. To this end all these bodies have supported IR either in Sri Lanka or overseas. The CMA workshop and award scheme scheduled for early July is a good example. CA's awards held in December each year is another. ACCA's annual sustainability awards and CIMA's contribution to the International IR network from which we receive regular updates are of value.

Thirdly, we encourage research on IR, currently we have an association with a PhD candidate and a professor attached to a leading University in Sri Lanka. We also work with the University of Deakin on joint programmes.

Worthy of mention are the publications we have done and continue to work on.

- 1) A Preparer's Guide to Integrated Corporate Reporting issued in 2015.
- 2) A Supplement to a Preparer's Guide to Integrated Corporate Reporting issued in July 2017.

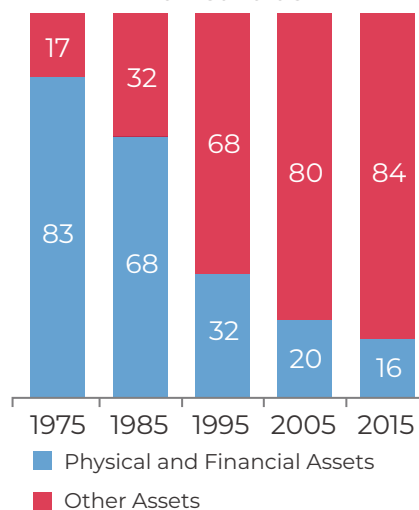
We are indeed proud that IIRC has recently referred to Sri Lanka as one of the Countries leading in IR adoption.

Q 2.0 As Chairman of the IRCSL how would you explain Integrated Reporting in a simple way to the investing public?

A Firstly, corporate reports has become very complex, lengthy, fragmented into cylos and focused entirely to the providers of financial capital, the shareholders. While this is the traditional view and arguably needed to support regulatory requirements, its ability to communicate corporate performance to a larger audience is much in question.

Even more importantly the reason to drive this change is the mismatch between the reported financial results i.e. the net book value of Public Listed Companies and the Market Capitalisation of these Companies. This gap has grown so wide that the net book value representation is only about 20 to 30 percent of the market capitalization. This is evident in the research carried out globally by Ocean Tomo in 2017 as depicted below.

Components Of S & P 500 Market Value



A search for reasons revealed that market perception of the value of other non-financial capitals not reflected in the financial statements of Companies was the key reason.

If I am to expand on this further;

- a) The capability, energy, and efficiency of the human resources team (this was termed human capital).
- b) The strategic differentiation in the business delivery model and innovation in products and services (this was termed Intangible Capital).
- c) The customer loyalty demonstrated by market share, repeat buying, the power of the brand (this was termed customer/social capital).
- d) The reputation of the Company as an ethical well governed enterprise with social responsibility, environmental responsibility, health & safety and product/service responsibility (this was termed environmental capital). This capital is so strong that it could threaten the very existence of a Company.
- e) One cannot ignore the core capital the life blood of business, the financial capital (share capital, debt capital and reserves) which gives the purchasing power to build other capitals.
- f) The infrastructure capital which encompasses the quality, capacity and efficiency of the production process.

In this context, the



importance and significance of all stakeholders beyond the shareholders was identified along with the need for recognition and engagement based on their influence and likely impact on the organisation's sustainability.

Integrating, thinking and reporting, requires companies to understand these wider dimensions, come up with performance indicators and measures and report on them year on year in a concise and

consistent manner within a framework of materiality.

While it is a long answer to a straight forward question I hope it provided some clarity.

Q 3.0 You mentioned integrated thinking. How does it relate to Integrated Reporting?

A This is a very good question. In my view corporate leaders are always thinking strategically in an integrated fashion on how to grow and improve their business in order to enhance value, profit and cash flow. However, colloquially said, there have been many situations in which they have got hit from the blind side, drastically affecting the very continuity of the business and reputation. Understanding the six capital and stakeholder influences on business strategy and impact of business decisions throughout the supply chain by all levels of management will enable sustainable growth in value, profit and cash flows over the short, medium and long term. This is integrated thinking.

Q 4.0 Then why is the focus more on Integrated Reporting?

A Recognising and commending the visible public outcome of the Integrated Report, it is believed this will inculcate integrated thinking, even though in the early years Integrated Reporting may be a result of piecing together information

rather than from a cohesive internalized process fueled by integrated thinking.

The IIRC in its integrated reporting framework of 2013 has given guidance on “content elements” what to be reported upon and “guiding principles” how to report on these.

Q 5.0 What are the benefits of Integrated Reporting to Companies and its stakeholders, has it uplifted corporate reporting?

A It enables Companies to identify what “creates value” to their business, to report on this value creation process the “business model” and outcomes” thereby reducing the market value gap, which if not addressed can lead to speculation and price manipulation.

Also, international investors now look to see more than just financial reporting compliance. IR fulfills this requirement.

Q 6.0 How many Companies are providing Integrated Reporting in Sri Lanka?

A There are nearly 50 out of the 290 PLCs preparing Integrated Reports. Each year we have seen 4 to 5 new Companies adopting IR.

Q 7.0 Do you think IR is setting the bar unrealistically high for the majority of Companies?



A I firmly believe that the concept of value creation through deploying capitals in a competitive and strategic business model to achieve outcomes that benefit providers of all capitals enabling sustainable business in the short, medium and long term is key to any organization that takes such a view of sustainable growth.

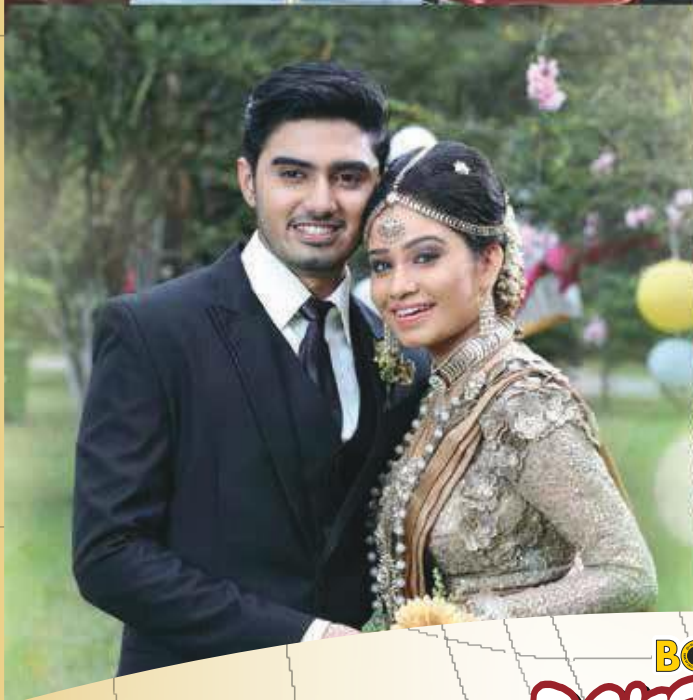
Within these concepts corporates can progressively work towards full compliance over time. After all unlike Accounting Standards, IR is holistic and forward looking for the benefit of the enterprise. I would recommend as a start to structure the management discussion and analyse in line with the IR framework.

Q8.0 CMA Sri Lanka has organized the 4th CMA Excellence in Integrated Reporting Awards 2018, will this assist to promote (IR) and recognize outstanding Companies?

A It certainly will. I must congratulate CMA and in particular Prof. Watawala for diligently organizing these awards annually with international representation. Undoubtedly this will lift the bar in Integrated Reporting and encourage others to join the process.

CMA has continuously supported IR through Workshops, Seminars and events of this nature and our IR Council in Sri Lanka is pleased with the work of CMA as a committed member.

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Yen-pei Chen
ACCA

A brief guide to reporting and managing the capitals

Many of those who prepare integrated reports struggle with the capitals model. Indeed, even experienced integrated reporters admit to finding it difficult to explain them to their colleagues. Why bother with the capitals? What value do they add? How can they be applied, practically, by companies of different sizes operating in vastly different markets?

What is the capitals model?

The <IR> Framework describes capitals alternately as 'the resources and relationships used and affected by an organisation' (Executive Summary) and 'stocks of value that are increased, decreased or transformed' (para 2.11) through the organisation's activities. It identifies six kinds of capital: financial, human, social and relationship, manufactured, natural and intellectual.

One key aim of integrated reporting is to encourage management and boards to exercise stewardship over these different drivers of value, safeguarding the non-financial as well as financial resources. This stewardship is built on an understanding that the capitals are interdependent – using up one form of capital may

increase another. For example, upgrading a company's digital capacity could increase the company's intellectual capital (in the form of new systems and software) in return for a reduction in financial capital and human capital (through the replacement of some manual roles with automated processes). Depending on whether the digital transformation is successful or not, there may also be an impact on social and relationship capital (customer goodwill). Therefore, in setting their organisations' strategies and directing their operations, management need to balance the trade-offs between different capitals carefully.

Why is it so difficult?

Integrated report preparers that I have spoken with suggest that they find the capitals model conceptually hard to grasp.

Firstly, the term 'capitals' may not be a word that people within the business use when planning strategies, managing operations, or communicating with stakeholders. Worse, we accountants instinctively think of either equity funding or capital assets owned and controlled by the company, which could lead to further confusion. In fact, the notion of 'capitals' in the integrated reporting sense is quite simple – some companies find the model easier to apply when they replace the word 'capitals' with 'resources.'

Secondly, the capitals model is intended to be customised, according to each company's unique strategy, business model and circumstances. There is sometimes the perception that we must report on all six capitals if we are to comply with the <IR> Framework, but this is counter-

productive: the Framework itself says that 'not all capitals are equally relevant or applicable to all organisations' (paragraph 2.16). Companies should feel free to focus on the capitals which are important to the business, and exclude those capitals which are immaterial. Similarly, other categories of capital could be added if they make sense in the context of the business model: for example, one technology business introduced 'technological capital' within their capitals mix.

The process of adapting the capitals model and identifying the most material capitals for the business is a crucial aspect of integrated thinking. A well-defined capitals mix provides focus for management decisions.

Can it really make so much difference?

CFOs are accustomed to applying discipline and rigour when evaluating the financial impact of decisions. Taking the time to work through a capitals mix that applies to the business helps decision-making by bringing in wider, non-financial considerations, in a similarly disciplined way. The capitals mix can provide a 'common denominator' running through the numerous innovation initiatives we undertake.

An entrepreneur told me that defining and implementing the capitals mix provided discipline for his high-growth scale-up. 'It is a way to ask whether an opportunity will be adding value,' he said. 'For me, <IR> is not a reporting tool; it's a strategic planning tool.'

Finally, a well-articulated capitals mix that is convincingly linked to the corporate strategy could be invaluable in convincing

investors and other stakeholders that the management can be trusted to deliver. Further, it could also help companies to deal with the reporting and management challenge, namely, the UN Sustainable Development Goals: acting as a first filter for identifying which of the 169 targets are particularly relevant for the business.

Five steps to managing and reporting on the capitals

The framework I propose below should provide a helpful framework for organisations to not only report on the capitals, but also, crucially, integrate them into decision-making in an effective way. Some organisations may wish to test out and apply the steps internally first, before considering how the outcomes of this exercise may be communicated externally.

1. Define your organisation's purpose

Purpose in this sense covers three aspects:

- Mission: What is the organisation here to achieve?
- Vision: Where does the organisation want to go in the future?
- Strategy: How will it get there?

Together, these three questions form the basis for thinking about the capitals. Only when key people share a common view about their organisation's aims, can it be possible to identify the capitals, or resources, that we will need to achieve it.

This also means that the capitals mix can vary hugely from one organisation to another, depending on their defined purpose. So for example, a financial services company may prioritise human and intellectual capital, because their employees are at the source of their service delivery and innovation. On the other hand, an oil company may prioritise their natural capital because their future operations rely upon the long-term availability of natural resources.

2. Identify and prioritise the relevant capitals

This step requires thinking about three questions:

- What resources do we need to fulfil our vision?
- Which of these resources are absolutely crucial to the delivery of the strategy? Why?
- What sources of capital do we rely upon? What sources of capital do we produce?

The organisation's strategy, informed by its mission and vision, will drive the identification and prioritisation of the key capitals. For this exercise to be meaningful, both for the management and for external stakeholders, it is important to be as specific as possible. It helps to constantly ask ourselves the question 'why.'

For example, most of today's businesses may agree that technology is a key capital. But exactly why? Are we using it to create new products and services, or is it contributing towards more effective and efficient internal processes? We could cross into the realms of human capital if we are talking about competent, motivated staff working in a

collaborative culture. We could also stray into the realms of social and relationship capital, as we refine our customer list to allow us to better target new products, for example. The categorisation is perhaps less important than making sure that we are capturing the right sources of capitals; and that we understand why we're doing so.

3. Align the capitals to strategy

This should be easy, if we have followed the thought process of the previous two steps! By placing purpose at the heart of our capitals 'brainstorming' process, we should be assured that the capitals mix we have identified is aligned with strategy. Now all that remains is to articulate this to our stakeholders. Of course, this external communication will only be convincing if the organisation truly lives its purpose.

To further link the capitals to the organisation's strategy, it could help to relate the capitals to the business model. Sri Lankan motor engineering company DIMO has comprehensively mapped their four key capitals to its supply chain process, clearly identifying the most important capitals that contribute to each step of its value creation.

4. Identify actions to protect and grow the capitals

Doing this involves asking the question: 'What do we need to do to preserve, grow and transform key sources of intellectual capital?' In planning appropriate actions, the connectivity between the capitals comes into play: we realise that often, one action will have an impact on more than one form of capital – this

is the 'trade-off' that the Framework highlighted.

Companies are often great at explaining where they want to go in the future, but they become less comfortable when it comes to disclosing specific plans. Some are unwilling to publicise commercially sensitive information; many are also worried about creating stakeholder expectations over plans which may be derailed by future events outside their control.

Again, new adopters of integrated reporting should not be held back by concerns about external reporting: one possible approach could be to build the capitals mix into strategic planning within the organisation first.

When it comes to external reporting, it is possible to strike a balance between transparency and protection of sensitive information. For example, disclosing simply that the organisation is investing in a new customer online portal does not give away trade secrets and yet may be sufficient to reassure investors that the management is taking their responsibilities seriously.

5. Measure the outputs and outcomes on the capitals

Albert Einstein once said: 'Not everything that counts, can be counted – and not everything that can be counted counts.' Sometimes we accountants, accustomed to the relative certainty and rigour of financial reporting, are alarmed and discouraged by the lack of reliable metrics for the non-financial capitals. For some, this even

prevents them from adopting integrated reporting.

The development of non-financial metrics is still in its infancy, so it is not surprising that some metrics are not directly relevant to what they purport to measure, let alone comparable. However, our awareness of these limitations should not deter us from experimenting – as long as we remain realistic in our expectations.

Many exciting initiatives have emerged over the past year, to find a common approach to quantifying value creation. However, for now most companies rely on proxy measures. For example, the staff absentee rate may be used as a proxy for employee well-being, the proportion of revenue from new product lines could work as a proxy for innovation, and the proportion of women in management positions serves as a proxy for diversity of thought.

Proxies must be treated as proxies: it may be undesirable, even harmful, to use them as performance measures. However, such 'rough' metrics could still highlight interesting trends, correlations, and causal links. For example, would the introduction of flexible working arrangements decrease absentee rates? Might team-building activities, or additional holidays, also influence this?

Conclusion

Organisations should feel free to customise and experiment with the capitals model. When the resulting capitals mix is based on a genuine reflection of purpose, it will naturally be authentic and, more importantly, work.



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VALUE RELEVANCE OF INTEGRATED REPORTING

Introduction

In today's rapidly expanding business environment companies are continuously attempting to serve the interests of their shareholders. Retaining shareholders due to competition among business entities have become more challenging. Entities communicate with their stakeholders and convey its value creation mainly through their annual reports. However, most studies have found that in recent years annual reports have become more complex and less relevant to

shareholders since they consist of different presentations of information (Financial Reporting Council, 2011). Stakeholders are not willing to refer to several reports to gain a view of the entity (Hoque, 2017). This issue gave rise to a new reporting concept called Integrated Reporting (IR) which depicts a holistic view of an entity in a single report. IR explains how an entity creates value over time and integrates both financial and non-financial information. This enables stakeholders to make

informed decisions regarding the entity by reference to just one report.

The concept of IR is still at an infant stage in Sri Lanka. IR is not mandatory for companies listed on the Colombo Stock Exchange although an increasing number of companies are adopting it on a voluntary basis. Since IR is a relatively recent concept in corporate reporting, only a few empirical investigations have been done regarding its dimensions.

Some research has dealt with the initial introduction of IR and its benefits and this study aims to fill the empirical gap investigating the value relevance of IR.

Lee et al. (2015) found that IR contributes to creating value for a firm. Even though IR appears as a value creation mechanism, an investigation needs to be carried out to examine whether the expected benefits exceed cost or not. That is, IR should create value for the firm. The objective of this study is therefore to investigate the value relevance of IR and illustrate how IR adds value by increasing shareholders' wealth.

Keywords: Colombo Stock Exchange, Firm's Value, Integrated Reporting, Market Capitalization, Regression Analysis

2. LITERATURE REVIEW

2.1 Empirical Findings on Integrated Reporting and Firm's Value

Several studies have investigated the effect of IR on the firm's value. A firm's value has been explored by several scholars using various determinants for measuring a firm's value. Almost all studies investigate how IR affects the firm's value and whether or not it creates additional value to the business entity.

Kosovix and Patel (2013) have investigated the value-relevance of integrated reporting on the market values of companies listed on the Johannesburg Stock Exchange Main Board in South Africa. That was a purely quantitative study. The data for 2009 and

2011 was collected from the annual reports of selected companies. A self-constructed disclosure index was applied to define IR and determine the relationship between IR and a company's value creation. According to the findings, the level of compliance disclosures of companies adopting IR had increased from 2009 to 2011. The degree of incorporation of IR affects the level of compliance between the sectors and characteristics.

Firms with a higher IR score have higher market valuation (Yeo et al., 2014). Further, this study of 100 South African companies listed on the Johannesburg Stock Exchange for the period 2009 to 2012 revealed that equity investors value IR according to a self-constructed index.

Senaratne et al. (2015) investigated how IR as a part of managerial technology is diffused in an emerging economy taking Sri Lanka as a case study. This is a mixed study using both qualitative and quantitative data collected from annual reports and semi structured interviews. The study reveals a transitional approach to IR, with these companies evolving through incremental changes to systems and processes that are already established in relation to SR.

3. METHODOLOGY

3.1 Population

All companies which are

listed on the Colombo Stock Exchange formed the population for this research study.

3.2 Sample

All companies adopting IR were selected and it was revealed that 48 companies have adopted IR 2016 financial reporting period.

3.3 Data Collection

Data was collected for the years 2015 and 2016 using annual reports of selected companies. Companies adopting IR were identified by referring to annual reports with the words "Integrated reporting", "IR" or "<IR>" in the body of the report.

3.4 Techniques of Analysis

Regression analysis was done in order to analyze the data. The Hausman test revealed that a fixed effect model is more appropriate for this study.

3.5 Hypotheses

H0 : There is no significant relationship between IR and market capitalization.
H1 : There is a significant relationship between IR and market capitalization.

3.6 Research Model

The study was planned with the help of the Ohlson (1995) model, a well-established method for undertaking accounting research and investigating the value relevance of non-financial variables (Lo and Lys, 2000). The Modified Equation can be shown as follows:

$$MCAP = a + \beta_1 TA + \beta_2 NP + \beta_3 DPS + \beta_4 EPS + \beta_5 ROA + \beta_6 IR$$

MCAP	=	Market Capitalization
A	=	Constant
β_{1-6}	=	Regression coefficients for respective variables
TA	=	Total Assets
NP	=	Net Profit
DPS	=	Dividend Per Share
EPS	=	Earnings Per Share
ROA	=	Return On Assets
IR	=	IR Score

4. DATA PRESENTATION AND ANALYSIS

Regression Analysis

The Pooled OLS regression model ignores the cross sections and time series nature of data. Therefore, this study rejects the pooled OLS regression model and accepts the other two models. The fixed effect model allows for heterogeneity or individuality among the forty eight companies by allowing for its own intercept value. The term “fixed effect” is used for the fact that although the intercept may differ across manufacturing companies, the intercept does not vary over time, that is, it is time invariant. The random effect model suggests that all forty eight companies have a common mean value for the intercept. So the hypotheses can be built as follows:

H_0 : Random effect model is more appropriate

H_1 : Fixed effect model is more appropriate

The Hausman test was done in order to test these hypotheses. The following table gives the results of the Hausman test.

Table: Hausman Test of Cross Section Random effect

Test Summary	Chi-Sq statistic	Chi-Sq d.f.	Prob.
Cross-section random	13.194774	6	0.0400

Since P value is 0.04 and is less than 0.05, the null hypotheses can be rejected and the alternative hypothesis is accepted. So the fixed effect model is more appropriate for testing data.

Table: Regression Analysis; Fixed Effect Model

Variable	Coefficient	Std. Error	Prob.
C	13.61634	1.797573	0.0000
TA	0.683682	0.124151	0.0000
NP	0.001078	0.048285	0.9822
DPS	0.001419	0.001652	0.3929
EPS	0.009955	0.004371	0.0252
ROA	0.000462	0.000448	0.3055
IR	3.394505	1.465040	0.0228
R-squared	0.306389	F-statistic	6.552334
Adj. R-squared	0.259629	Prob.(F-statistic)	0.000009

The above table shows the results of the regression model, which can be estimated as follows:

$$\text{MCAP} = 13.6163 + 0.6836\text{TA} + 0.001\text{NP} + 0.0014\text{DPS} + 0.0099\text{EPS} + 0.0004\text{ROA} + 3.3945\text{IR}$$



This model shows the interaction between market capitalization and its determinants. The R Squared in the regression model indicated that 30.63% of the variation in market capitalization is explained by the variables in the model. So the fitness of the model is only 30.6%. The F-statistics (prob > chi 2) prove the efficiency of the estimated models at 1% level of significance and the value was 0.00009. Total assets, earning per share and IR are the significant variables since those independent variables have p values less than 0.05. The main purpose of building the above model is to examine the effect of IR on the market value of the company. IR has a p value of 0.0228, which is less than 0.05. So the results indicate that IR significantly affects the determination of market capitalization. IR and market capitalization show a positive association with a coefficient of 3.394505, which means that when IR increases by one unit, market capitalization increases by 3.394505. Thus it can be concluded that the null hypothesis should be rejected while accepting the alternative hypothesis as follows:

H1: There is a significant relationship between IR and market capitalization.

5. CONCLUSION

The study findings reveal a significant relationship between IR and market capitalization. The main objective of this study was to examine whether there was any value relevance by adopting IR to Sri Lankan companies. Without identifying its value relevance, it is meaningless to adopt IR even though scholars and studies show IR adoption to be beneficial.

As this study was done using companies listed on the CSE, the findings of this study can be highly relevant in the Sri Lankan context. The adoption of IR results in an increment of market capitalization. This result is in conformity with Martinez (2016), showing that IR is positively associated with market value and expected future cash flows, but not with bid-ask spread or implicit cost of capital. Lee et al., (2015) have also found that the firm's valuation is positively associated with Integrated Reporting disclosures.

This study reveals that the benefits of Integrated Reporting exceed its costs. The sample consisted of the listed firms in Sri Lanka and the study explored the association between cross-sectional variation in Integrated Reporting disclosures and firms' valuation in the period following the implementation of Integrated Reporting. These research findings suggest that IR positively affects maximization of shareholder wealth. Therefore companies are encouraged to adopt IR.

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A portrait of Gihan Cooray, a man with short dark hair, a beard, and glasses, wearing a white dress shirt, a blue patterned tie, and dark trousers. He is smiling and looking towards the camera. The background is dark.

Integrated Reporting - the Future of Corporate Reporting

Gihan Cooray is the Group Finance Director of John Keells Holdings PLC. He is also a Non-Executive Director of Nations Trust Bank PLC. Gihan holds an MBA from the Jesse H. Jones Graduate School of Management at Rice University, Houston, Texas. He is an Associate member of the Chartered Institute of Management Accountants, UK, a certified management accountant of the Institute of Certified Management Accountants, Australia and has a Diploma in Marketing from the Chartered Institute of Marketing, UK. He serves as a Committee Member of the Ceylon Chamber of Commerce.

Gihan Cooray

Group Finance Director -
John Keells Holdings PLC.

Can the Integrated Reporting principles be applied to an Annual Report?

In the context of the JKH Annual Report, <IR> has been pivotal in enhancing the structure of the overall report. Particularly in the areas of elaborating on the value creation processes and its inter-linkage with the business model. Additionally, aspects such as risks and materiality are being given increased prominence in this new age reporting method, thereby enhancing the governance and transparency of corporate disclosures.

Who is the intended user of an Integrated Report?

Given the manner in which an Integrated Report is structured, the report is able to cater to a multitude of stakeholders, from investors, employees, suppliers, and the community, as a whole. The integrated nature of the report, which ensures a more holistic depiction of the operations of the entity by capturing financial, social and relationship, natural, human, and intellectual aspects, addresses the information needs of a variety of stakeholders.

Will Integrated Reporting replace existing reporting?

Integrated Reporting is an evolution of traditional reporting. The evolving dynamics of human behaviour, including information dissemination and data requirements, has shifted viewer preference from traditional disclosures to a more holistic approach which focuses on additional aspects such as risk, outlook and strategy, which enhances accountability, stewardship, and transparency.



This new norm of reporting style equips stakeholders with information they require to make better and effective decisions.

Importance of Integrated reporting in Sri Lanka?

It is well known that the risk premium associated with emerging markets is higher than in developed markets, on the back of market volatility, political

risks, transparency in governance frameworks, amongst others. Against this backdrop, the level of disclosure and transparency required by emerging markets, and as such Sri Lanka, is more augmented. The framework, which reflects on the value creation story of the entity whilst better articulating strategy and the risks associated, with increased transparency, will revolutionise

stakeholders' perception on corporate reporting. This will also help organisations attract investments that will be pivotal for sustainable value creation.

What benefits does an Integrated Report provide to companies and its stakeholders?

Integrated reporting, although at first glance is a reporting framework, fosters collaboration and integrated thinking within the organisation. For example, whilst there was already a high degree of collaboration between departments prior to JKH adopting the Integrated Reporting Framework of the International

Integrated Reporting Council, post adoption, the degree of cross-departmental liaison has enhanced further.

Given the increased complexity of the global environment and the risks associated with investments, investors increasingly focus on non-financial aspects of companies such as environmental, sustainability and governance, when screening companies in addition to financial aspects. As such, an integrated report is better able to cater to such needs. Additionally, through integrated thinking, organisations are able to better liaise with stakeholders and positively contribute towards stakeholder relations. Increased transparency fosters greater trust and credibility amongst customers, suppliers, other stakeholders and society.

Do you think there is some urgency for corporations to adopt <IR> and what are your hopes for the way integrated reporting develops in the future?

The adoption of integrated reporting for name sake, is unlikely to benefit the organisation or its stakeholders. Integrated reporting is not simply combining the disclosure of financial and non-financial information into a single document. It is a shift in organisational mindset, where the organisation focuses on the various forms of capital and how such capital is nurtured to enhance the value created by the entity as opposed to a pure focus on monetary aspects. As such, prior to adopting integrated reporting, the entity should foster integrated thinking within the organisational culture.

Technology is expected to change the way reports are viewed and prepared. Technology is also expected to change the means by which capitals are nurtured to create sustainable value. As such, in the long term, given the pivotal role played by digitisation, innovation and technology, intellectual capital is expected to be more of a guiding principle, rather than a form of capital, that encapsulates the rest of the capitals.

Do you believe that reporting has had a positive impact on your business?

JKH adopted the Integrated Reporting framework in late 2015 for the JKH Annual Report 2015/16. Stakeholder feedback on presentation and reporting, since adoption, has been overwhelmingly positive. JKH, although in line with the recommendations of the IIRC, has constantly strived to deliver a comprehensive, balanced and relevant report, catered to JKH's many stakeholders, given the complex task of reporting an year of operations of a conglomerate.

What is the advice you can give to a new company going into <IR>?

Given the diverse nature of business from entity to entity, significant emphasis should be placed on understanding the Integrated Reporting framework and what it entails. The starting point for a company intending to adopt <IR>, is to ensure that the systems and processes which will provide the required outputs for reporting are in place within the organisation. This requires investments which are ultimately linked with the overall strategy of the business.





U. S. T Vithanage

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Integrated Reporting in Non-Profit institutions

Key Words: Not-for-profit, Public Funds, Statement of Recommended Practice, Accountability, Intellectual Capital

Not-for-profit (NFP) institutions are vital for our society and economy. Their activities cover humanitarian, educational, health care, public policy, social, human rights and environmental issues. The community expects them to be just as accountable, if not more so, than for-profit organizations as many donate time and money to charitable activities and purposes. Governing bodies of many countries are passionate about helping not-for-profit organizations to be well governed and transparent in their operations. A key role of these governing bodies is to provide guidance and resources for non-profit-making institutions to help them succeed.

Non-governmental organisations (NGOs) especially, should be transparent with their stakeholders, including the general public, and consider themselves as

organizations that receive “public funds” (whether they are donor monies, tax benefits, or government grants). Donors, potential partners, and other stakeholders seek more and more information in order to make informed decisions. They ask questions about executive compensation, administrative costs, and fundraising expenses, to name a few.

Is to establish Guiding Principles and Content Elements that govern the overall content of an integrated report, and to explain the fundamental concepts that underpin them.

Therefore, proper guidance should be provided to empower not for profit organizations to exceed their reporting requirements and also to become innovative and accountable. The

International Integrated Reporting Framework developed by the International Integrated Reporting Council sets out to establish the guiding principles and content elements that govern the overall content of an integrated report as well as explaining the fundamental concepts that underpin them. Integrated reporting is poised to be an evolution of mainstream reporting, and represents an opportunity for improving transparency, governance and decision making for organizations of all types (Adams et al. 2011; Eccles and Krzus 2009). This, in turn, will improve the decision-making of long-term investors and those who provide funding. Improved information collection and communication have many positive ramifications for improved decision-making both within organizations by investors and by other external stakeholders.



Although the International Accounting Standards Board (IASB) has not taken up the issue of improving the quality of financial reporting and increased accountability of nonprofit organizations (NPOs), attempts have been made in some countries to harmonize accounting practices and presentation. In the United Kingdom, the Charities Commission through the Accounting Standards Board has issued a Statement of Recommended Practices on “Accounting and Reporting by Charities”. The Statement sets out recommendations on how a charity should report annually on resources entrusted to it and activities that it undertakes. In the United States of America an effort has been made to address these issues as well. The FASB has issued several Financial Accounting Standards applicable to NPOs and the most relevant are the Financial Statements of NFP organizations (FAS 117) and Contributions (FAS

116) and also the Chartered Accountants Australia and New Zealand’s Enhanced NFP annual and financial reporting guide.

The guide is a valuable financial reporting guidance tool for NFPs. More relevant to Sri Lanka is the work carried out by the Institute of Chartered Accountants of India (ICAI). Their Research Committee issued a “Technical Guide on Accounting and Auditing in NFP Organizations” (NPOs) in 2003, published by Dr. Avinash Chander, Technical Director, ICAI. The experiences of the Indian Institute have been taken into account in formulating the Sri Lanka Statement of Recommended Practice for NFP Organizations (including NGOs).

Enhancing NFP annual and financial reporting is a shining example of how the contribution of professional bodies encourages the NPO sector to maintain, protect and enhance public

trust and confidence in the sector through increased accountability and transparency; supporting and sustaining a robust, vibrant, independent and innovative not-for-profit sector; and reducing unnecessary regulatory obligations on the sector.

The preparation of Integrated Reports can be part of an overall strategy to enhance the accountability of organizations. By communicating important information to stakeholders, these reports can serve to foster public trust and build community support. But the type and level of information typically disclosed in an Integrated Report go beyond the reporting requirements that many nonprofit organizations are currently subject to as registered charities and beyond financial statements, which, even combined, only tell part of the story. An Integrated Report aims to concisely communicate how an organization’s strategy,

governance, performance (both financial and non-financial) and future prospects in the context of its external environment, lead to the creation of value over the short, medium and long term. It is a new realm of narrative reporting, a style of reporting that seeks to tell the organization's story.

This is not to say that financial statements are not a fundamental part of the story. They are. However, particularly in the nonprofit sector, financial statements do not capture all the information about the organization's performance. Volunteer contributions and community impact, for example, are key elements that are not easily explained in financial terms, but are fundamental to understanding organizational performance.

in meeting their reporting requirements.

The burden of regulatory reporting on the limited resources of NPOs is considerable, and there is nearly universal recognition of the need for streamlining and reforming NPO reporting standards. Fragmentation, disconnection and inefficiencies stem from largely prescriptive reporting systems. Operating across multiple states exacerbates these regulatory burdens. The roll-out of the Standard Chart of Accounts for NPOs constitutes a major step in standardizing and harmonizing existing reporting frameworks. However, with its focus on financial input and output figures, it will not

toward flexible, responsive and organization-centric reporting. For example, although the Australian NPO sector is characterized by diversity, it is often equated with only service providers, to the exclusion of advocacy organizations, community organizations, foundations, philanthropic intermediaries and organizations with a number of these characteristics. The best way to capture the diverse goals and activities of these organizations, and provide them with scope for more meaningful reporting is to build flexibility into reporting frameworks. The Integrated Reporting approach emphasizes that the focus of a report remains responsive to organization-specific contexts and activities rather than being rule-driven.



Therefore, how the changes linked to the approach, scope and content of an Integrated Report in particular provide fertile ground for improving and reducing the burden of NPO reporting. The changes that are triggered by adopting these reporting principles offer an opportunity to address some of the challenges and limitations faced by NPOs

achieve the goals of Integrated Reporting. NPOs, in particular, are particularly well placed to benefit from moving beyond compliance-based reporting to a report that emphasizes trust and transparency.

In addition to moving away from a compliance-based approach, NPOs can benefit from a change

Whilst the opportunity of recognizing and reporting on multiple sources of capital represents a bold new approach for many for-profit organizations, most NPOs are already actively pursuing 'shared value' (Porter and Kramer 2011), with a social or environmental mission accompanying economic/ financial imperatives and strict governance requirements. In addition, there has recently been a rapid growth in the number and impact of NPOs adopting business

or enterprise-like approaches to service delivery (such as social enterprises, social businesses and co-operatives (Kernot and McNeill 2011)). NPOs already recognize and manage multiple sources of capital that rarely make an appearance in financial or annual reports. Many NPOs depend on a network of relationships (with other NFPs, businesses, government and philanthropists) whose contributions are not captured by financial measures, yet are fundamental to their operation. This includes volunteers (a distinctive attribute of the NFP sector) and gifts-in-kind. Indeed, the role of 'intellectual capital' (non-monetary and nonphysical resources that contribute to value creation) may be considered even more fundamental to NFPs than for-profit organizations because of their high reliance on relationships and partnerships, high intangibility component of the value created, high dependence on trust and reputation (Roos 2005).

In this way, NFPs are already pursuing 'integrated' thinking; it is a logical next step for this form of thinking to govern the content of their reports.

Measuring the impact of activities is a necessary foundation for meaningful reporting on social and environmental achievements.

NFPs achieve impact over the long term, often for clients with complex needs; however, existing measurement approaches based on short-term input/output measures tend to undervalue achievement on a variety of outcomes and impacts that are non-financial and intangible. Examples of the nascent interest in social measurement frameworks include the enthusiastic use of Social Return on Investment (SROI) and detailed, systematic impact measurement. NFPs are mission-driven, and given the complexity of their activities and the limitations of metrics to capture these multifarious operations, narrative or qualitative information can serve an important role in 'telling the story' of the NFP and how it has been pursuing its mission. Integrated Reporting is an appropriate framework for combining both qualitative and quantitative elements over a variety of time frames and is adaptable to new forms of social impact measurement.

Finally, the strategic, forward-looking focus of Integrated Reporting and multiple time frames should be attractive for NFP organizations. Competition for grants and other funds, facing expanding unmet social needs

with ever-tightening resources and engaging in complex and far-reaching relationships with business have all contributed to NFP organizations operating in a much more strategic manner. The linkages and strategic focus are enshrined in the Integrated Reporting approach, which offers the opportunity to recognize and celebrate the achievements of NFPs in operating in a more strategic and efficient manner.

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Integrated Reporting and Value Creation in the Public Sector

Zinga Venner of the World Bank, said the public sector had a role in value creation across society, but needed a different kind of reporting from the private sector.

“Shareholders are able to choose what companies they can invest in, but the public sector has taxes. It is almost like a contract for society, so there is a need to have accountability.

“More importantly, with respect to scarcity of resources, there are trade-offs with how resources can be used, and the key is how to make sure resources are used as efficiently and effectively as possible. What is the metric that is going to be used for resource allocation between different areas within society?”

This was where <IR> can play a role in political decisions related to resource allocations, she indicated.

“There is often a risk that when you have a change in government, then certain programmes get discontinued. So how do you ensure there is continuity? If there is more transparency in terms of the value that is being created by this particular programme, there is a high likelihood of continuation.”

Introduction

Globally, Integrated Reporting (IR) in the public sector is rare. However, IR and integrated thinking can help the Public Sector to report more concisely and encourage effective use of resources in a transparent manner. However, the number of public bodies adopting Integrated Reporting has been rather low. The International Integrated

Reporting Council (IIRC) in a survey of 60 organisations, highlighted that 72% of respondents indicated that IR had helped to improve decision-making.

The main Stakeholder in the Public Sector is the Government. Therefore, an Integrated Report of performance of institutions under the Government's control is necessary to ensure that monies allocated or invested in such an institution is properly accounted and managed well. Public sector income/expenditure accounts for almost one-third of the GDP in most countries around the world. It is therefore crucial for Governments which finance large infrastructure projects and provide welfare services such as education and

health to identify material issues when creating value. However, the drive for closer scrutiny and transparency, adherence to financial regulations and political continuity which impacts resource management decisions and timing have been the major challenges that needed to be overcome in the public sector. Accountability in financial reporting has been another serious challenge in the public sector together with the need for integrated thinking to create value on every cent spent.

Financial Regulations

“Financial Regulations is the most significant regulation to provide fundamental legislative framework for managing scarce resources in public sector”

P. Algama- Department of Public Finance, Sri Lanka

The Minister overlooking Finance issues the financial regulations in Sri Lanka.

Objectives of the financial regulations:

- Regulate the Public Financial Management & prescribe the responsibilities of persons entrusted with Public Financial Management
- Ensure the effective and efficient management of Public Funds
- Ensure the effective and efficient management of assets, liabilities, other resources of the government

These Financial Regulations are binding on transactions carried out by ministries, departments, public corporations, government owned

companies, statutory funds and trusts and all state employees.

The Secretary to the Ministry of Finance is the Secretary to the Treasury. The Deputy Secretary to the Treasury is the Head of the Treasury and oversees Government revenue receipts and disbursement of Government funds. The Treasury comprised of the following divisions:

- (a) National Budget
- (b) Fiscal Policy
- (c) Economic Affairs
- (d) Public Finance
- (e) Public Enterprises
- (f) Accounts and Payments and
- (g) External Resources

The financial year of most public-sector enterprises in Sri Lanka is from the 1st January to 31st December of the same year.

State Corporations, Public Companies & Boards – In Sri Lanka’s Context

In Sri Lanka, a public enterprise like a corporation, public company or board, is required to report each activity during the financial year in the form of a Corporate Report to the Government to be presented in parliament each year. These institutions while adhering to financial regulations (FR), are given the freedom to retain their revenue and attain profitability. However, this freedom is regulated by separate bodies - public sector commissions such as the Public Utility Commission and the Public Procurement Commission - when it comes to planning strategic issues and procuring resources. This results

in constraints and timing delays. Public enterprises can also revise their charges and prices to yield an operational surplus so that current expenses are met out of funds generated. Losses and shortfalls will only be accepted where there is a specific government decision to subsidise the operations of the public enterprise concerned. A reliable Integrated Report in its concise form will help in decision making and curtail delays in reporting while reporting on the enterprise’s value creation.

Public Departments – In Sri Lanka’s Context

These institutions principally provide public health, education and welfare services. Funds for these institutions are voted in Parliament and allocated annually. A report is made to parliament on excesses and shortfalls in performance while following Financial Regulations. IR goes a long way to add discipline, transparency and accountability in these institutions. These Institutions are expected to assess the benefit on expenditure on public welfare and resources utilized, thereby creating value on every cent spent. The Integrated Report should also address impact evaluation covering risks and effects on other resources utilized perhaps with a dashboard dialogue type of reporting.

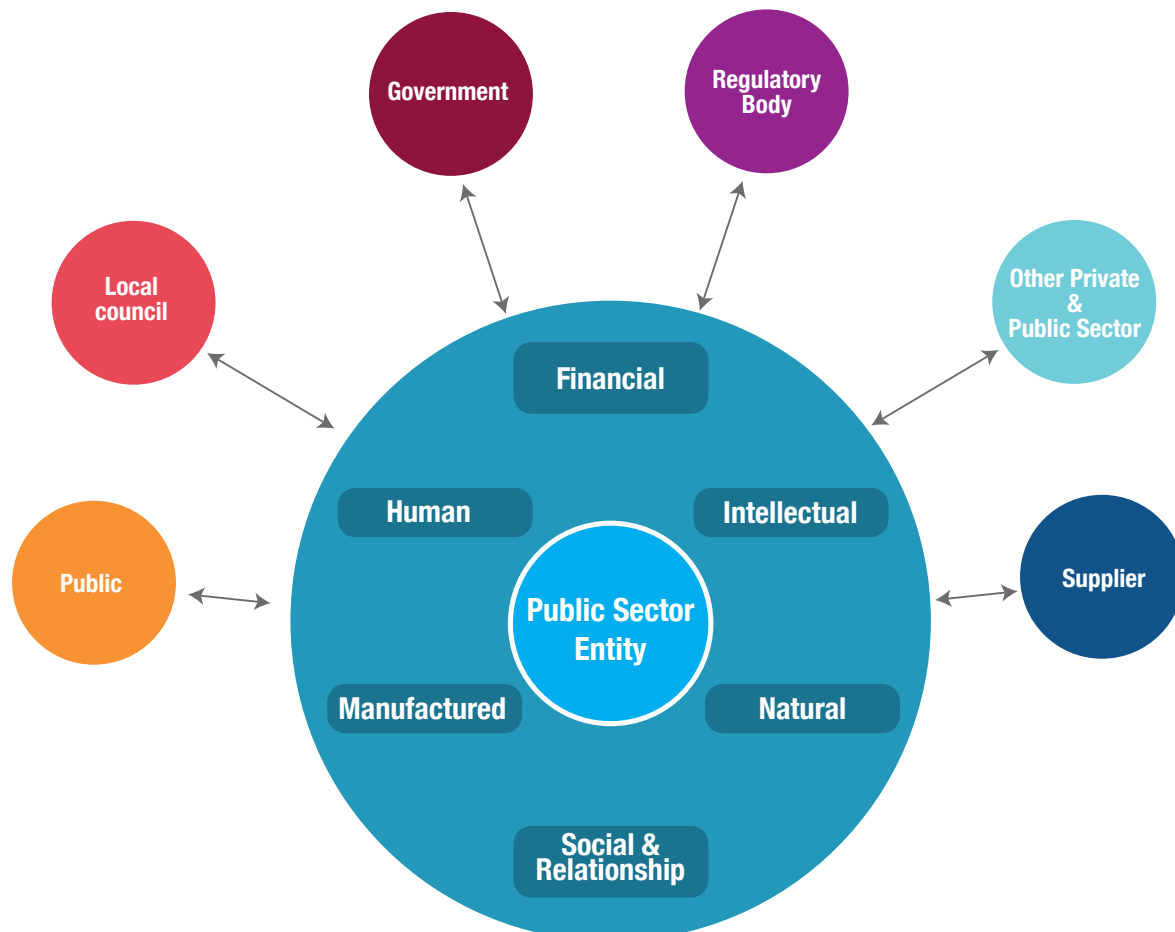
Integrated Reporting, Thinking and Value creation

Public sector entities can transform the way they think about organisational strategy, business processes, governance, their day-to-day reasoning and decision-

making through the integrated approach of reporting and thus give a holistic picture of their vast enterprise. By using the six capitals of Integrated Reporting - **Human, Financial, Intellectual, Social & Relationship, Manufactured**

and Natural Capitals - the Public Sector can drive towards creating value for money in the short, medium and long term. The following diagram depicts a Public entity and its Integrated Report; the use of the six Capitals,

reporting to its main stakeholder the Government, while interacting with its other stakeholders such as regulators, local councils, private & other public-sector entities & suppliers.



Public sector investment involves large commitments in funds. The appropriate use of these funds which will result in economic development and reporting of such in a more concise form will help to attract investors as strategic partners to the public sector.

The Six Capitals in the Public Sector

- Financial Capital – This includes internally generated funds, external funds such as loans from local and international

lenders and grants from Government. Adherence to financial regulations and non-financial effects should also be considered.

- Human Capital – Is coordinated in a way to obtain employees' cooperation and to work as a team. Disruption in day to day work due to strikes could adversely affect the relevant sector and create frustration among various stakeholders including the general public. An innovative

plan is also required to drive all welfare projects successfully through an integrated report on their project performance which will require competent and skilled employees to overcome constraints and time delays for accurate, concise reporting and effective communication.

- Intellectual Capital – Statutory rights and licencing rights are secured by the Government, thus giving protection from competitors.

- **Manufactured Capital** – Infrastructure and equipment owned are maintained impeccably and reporting on timely replacements with more productive assets.
- **Natural Capital** - Appropriate use of resources without damaging and polluting the environment.
- **Social and Relationship Capital** - Relationships with all stakeholders including its regulators is vital for the smooth operation of the public-sector. Conflicting views can arise when seeking to address economic, social and environmental issues. For example, the energy sector of the public sector in Sri Lanka was recently seen to be in conflict with its regulator, the Public Utilities Commission, in relation to approving its long-term generation plan, which will in turn cause delays and instability in the energy sector.

“Public sector organizations are increasingly challenged with maintaining or improving outcomes within the same or reducing resources. Communicating how, and how well prepared they are, to achieve this is critical to public accountability” - Professor Mervyn King, Chairman, IIRC

Public Sector strategy involves various sectorial matters to be considered and how this relates to the organisation's **ability to create value** in the short, medium and long-term is not an easy task. Therefore, it is necessary to have a **holistic picture** of the combination, interrelation and dependencies



between the Capitals that affect the organisation's ability to create value over time and the nature and quality of the organisation's **relationships with its key stakeholders** to respond to their needs and interests. **Addressing material issues** that affects the organisation's ability to create value over the short, medium and long term is also essential. The Integrated Report should be concise, reliable and complete disclosing all material factors and their positive and negative effects.

“Transparent, responsive, and accountable institutions are a vital part of what it takes to improve people's lives and implement a sustainable development agenda.”

Helen Clark - United Nations Development programme

Conclusion

Integrated Reporting in the public sector helps with accountability, reducing the vast amount of information relating to this sector into concise form and reporting value creation on monies spent on economic development with contribution to social welfare and wealth creation. Discipline, coordination within the sector through integrated thinking and transparency in reporting while complying to financial regulations through a sustainable public finance policy goes a long way in creating value in the public sector.



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INTEGRATED REPORTING IS FOR ALL STAKEHOLDERS OF A COMPANY

1. What is Integrated Reporting? How do you define it?

Well, corporate reporting has undergone a dramatic transformation over time with a substantial increase in the disclosure of non-financial information such as governance, risk management and sustainability in addition to financial performance to meet the expectations of different stakeholders. However, non-

integrated, 'silo' treatment of the non-financial information in corporate reports, did not show stakeholders the necessary linkages to effectively evaluate performance, strategy and future prospects of a business.

This provided the impetus for the emergence of integrated reporting (IR) as a new corporate reporting model. It combines different strands of

corporate reporting- financial, governance, and sustainability, into a coherent whole to explain an organization's ability to create and sustain value in the short, medium and long-terms. Hence, an effective IR process allows companies to change themselves from 'silo thinking' to 'integrated thinking' to gain a holistic view of their operations and relationships, and the impact made in terms of value created.

2. Who is the intended user of an Integrated Report?

In my opinion, IR is for all stakeholders of a company. The focus of IR is how the value is created by a company through its business model. The capitals of IR (stocks of value) denote the different ways in which value is created through the business model of an organization. They represent the various resources and relationships that are used and affected by the business model of a company. Hence, an integrated report meets the information needs of different stakeholders as to how an organization creates and sustains value.

3. Will Integrated Reporting replace existing reporting?

This has to be considered from a broader perspective. IR is not another dimension in corporate reporting. It is rather a new corporate reporting model, which collates all the relevant information about an organization's strategy, risks and opportunities, risk management, environmental and societal impacts and financial results. Hence, IR has proposed a new reporting model for companies to understand the connectivity of information reported in different strands of reporting and how they affect the value created. Accordingly, we can expect in the future, IR will be the focus of corporate reporting.

4. Will the Integrated Reporting Framework provide clarity on measurement issues?

The conventional measures of performance such as profit have failed to provide a sufficient account of value created by an organization. Thus, in order to make a proper account of value created by an organization, a broad range of key performance indicators needs to be identified. This would require companies to focus on a performance management system, which integrates financial and non-financial value drivers of an organization in line with its strategy. Hence, by making organizations to focus on an integrated performance management system, IR could lead them to measure material issues and monetize the value creation.

5. What is the Importance of Integrated reporting in Sri Lanka?

The reasons for emergence of IR globally are the same reasons that will warrant its use in the Sri Lankan context. Accordingly, by adopting IR, Sri Lankan companies can understand the connectivity and interdependency between the factors that affect a company's ability to create value in the short, medium and long-terms.

This will lead managers to understand the impact (contribution or disruption) of their actions on the value creation of an organization and thereby the effectiveness of corporate strategies adopted. On the other hand, stakeholders can make a proper assessment as to how



a company has created value for them. Thus, IR will provide Sri Lankan companies not only a new reporting model, but also the mindset change that is required of them to meet future challenges effectively.

6. What areas of the new International <IR> framework need improvements?

International <IR> framework has established guiding principles and content elements that govern the overall content of an integrated report. The requirements of the Framework take a principles-based approach. Thus, it does not focus on rules for measurement and disclosure of individual items including of key performance indicators



(KPIs) in an integrated report. As companies would require more guidance in this respect, International <IR> Framework should pay more attention to these areas in the future.

7. Given that <IR> is principles-based and therefore allows for flexibility, is it possible to compare the reports of, say, two competitors who engage in the framework?

In IR, business model is at the centre of reporting. The business model is unique to an organization. That is the very reason for maintaining <IR> Framework of IIRC as principles-based. Owing to variations in business models, obviously there will be differences as to the

presentation of integrated reports of two organizations. However, still a broad comparison is possible as to how the different organizations have embraced the guiding principles of IR and accordingly how they have presented the content elements prescribed in the IIRC Framework.

8. Is there any external assurance process for <IR>? If not, do you think there is a need for one to verify the robustness and accuracy of disclosures?

It is difficult to say whether any external assurance on IR is practiced though such process could lead to better-integrated reports. At present, some companies obtain assurance on sustainability reporting in addition to the financial audit. There is possibility that companies would consider obtaining assurance on the integrated report broadening the scope of sustainability assurance.

In doing so, it is important to clear about the focus of assurance on IR. However, what is required is not merely an assurance on what has been reported in an integrated report. Rather the external assurance should focus on the robustness of the process followed in preparing an integrated report. Then only a proper assurance can be obtained as to the fact that companies have embraced the fundamentals of IR in compliance with IIRC IR Framework.

9. Do you think <IR> should be regulation- or market-led?

In some countries such as South Africa, IR is regulatory driven. However, this is not the case in most countries. In countries with powerful stakeholder groups, IR is stakeholder-driven. Many factors have acted as drivers of IR in different countries. In one of my studies it is discussed how the national culture impact on integrated thinking in organizations, which is considered as a pre-requisite for implementation of IR.

In my opinion, IR should be market-led rather than of regulatory-driven. The reason is that market-led pressure signifies the stakeholder pressure for companies to engage in IR. This will enable the companies to understand the information requirements of different stakeholders and how they should integrate the different facets of reporting in order to address the concerns of stakeholders.

10. Do you think there is some urgency for corporations to adopt <IR> and what are your hopes for the way integrated reporting develops in the future?

Although the accountability of companies and the scope of corporate reporting have broaden over time, it is arguable whether a clear link between strategy, governance, performance and prospects of a company is reported to its stakeholders. Hence, it is often argued that corporate reports



in its present form have failed to provide the company's story comprehensively. This fact was well-manifested in the mega corporate scandals that have taken place in the world from time to time.

These issues have given rise to the need to develop a new corporate reporting model that could collate all the relevant information about an organization's strategy, risks and opportunities, risk management, environmental and societal impacts and financial results. IR is addressing this need and as a result, there is an urgency to move towards IR.

In another study of mine it has been found Sri Lanka is currently in the diffusion stage with many first time adopters are likely to join the bandwagon of IR. In the primary stage, the early adoption of IR has been driven by the efficient-choice perspective. However, in the diffusion stage, most of the adopters are driven by fashion setting.

11. How does <IR> influence behavior?

When an IR model is implemented in a company, a change is expected in terms how they view and understand the way things are happening. They will have to change from 'silo thinking' to 'integrated thinking', that takes into account connectivity and interdependency between the range of factors that affect a company's ability to create value in the short, medium and long-terms. Hence, in my opinion, the biggest advantage of IR is that integrated thinking that is developed in companies and how it would help them to gain greater insights as to the value creation process. The integrated thinking would lead corporate managers towards integrated decision making and actions.

12. What is the advice you can give to a company that is going into <IR>?

When an integrated report is prepared the real challenge is the integrated thinking that has to go into it. In IR what is expected is to narrate a relevant and coherent story, which needs a clear definition and measurement as to how the value is created within the company. This requires the company to understand the integration in the systems, the impacts of the external environment, the business model and key value drivers, most applicable capitals in reporting value created, and how to ensure the reliability and availability of non-financial data required in reporting these different capitals. Raising such questions would enable the companies to understand the key material issues to be reported. Then the main task is to strike a balance between providing required disclosures and maintaining conciseness in reporting.



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Strengthening AML/CFT Supervision of Financial Institutions in Sri Lanka: The Perspective of a Sound Risk Based Approach

1. Introduction

Supervision of financial institutions (FIs) as well as designated non-financial business and professions (DNFBPs), in terms of Anti-Money Laundering (AML) and Countering the Financing of Terrorism (CFT) and Proliferation, has become a global priority. The Financial Action Task Force (FATF), global standard setter on AML/CFT, has issued 40 recommendations in order to facilitate jurisdictions to strengthen their AML/CFT legal frameworks. Independent AML/CFT evaluators, FATF or FATF style regional bodies such as the Asia Pacific Group (APG), the East Asia Group (EAG) etc. evaluate the technical compliance of jurisdictions based on the 40 recommendations and the effective implementation of the AML/CFT framework based on

11 immediate outcomes. AML/CFT supervision is one of them and is assessed based on the effective implementation of five FATF recommendations, namely, Recommendations 26, 27, 28, 34 and 35. Sri Lanka was evaluated by the APG in 2014

and the report was adopted in 2015. The effectiveness of AML/CFT supervision, immediate outcome 3, was rated as low and the technical compliance ratings related to the recommendations on AML/CFT supervision were as follows:

Table 1: Technical compliance of recommendations related to the AML/CFT supervision

Rec.No	Description	Level of Compliance
26	Regulation and supervision of financial	Partially Compliant
27	institutions	Compliant
28	Powers of supervisors	Non-compliant
34	Regulation and supervision of DNFBPs	Partially Compliant
35	Guidance and feedback	Partially Compliant
	Sanctions	

Source: Mutual Evaluation Report of Sri Lanka, 2015

One of the key recommendations proposed by APG (2015) was to implement a risk-based approach (RBA) to AML/CFT supervision in order to improve the effectiveness of supervision. In this context, the immediate priority of AML/CFT supervisors was to develop and operationalize the AML/CFT risk-based supervisory framework in order to improve the overall effectiveness of AML/CFT supervision.

02. Statutory Provisions for AML/CFT Supervision

The Financial Transactions Reporting Act No. 6 of 2006 (FTRA) was enacted in order to prevent the use of the financial system for purposes of money laundering (ML) or terrorist financing (TF). Subsequently, the Financial Institutions (Customer Due Diligence) Rule No. 1 of 2016 (CDD Rule) was issued under the FTRA on 27.01.2016, Extraordinary Gazette No.1951/13, in order to strengthen the legal framework of Sri Lanka in accordance with the international standards of the Financial Action Task Force (FATF) on AML/CFT. The Financial Intelligence Unit of Sri Lanka has the authority to supervise financial institutions (FIs) in terms of Section 15(1) (e) read with Section 18 of the FTRA to verify institutional compliance with the requirements set out in the FTRA. However, in the current global context, such prudential compliance checking is not accepted by the evaluators and they require jurisdictions to implement risk based supervision (RBS). Therefore, RBA has become a core process in achieving the overall effectiveness of AML/CFT supervision. RBA requires countries, competent authorities and obliged entities to take steps to identify and assess the risk with a view to deciding how best to manage it. Section 22 and 23 of the FTRA require the supervisory authorities to supervise the institutions which come under their purview in terms of the requirements of FTRA.

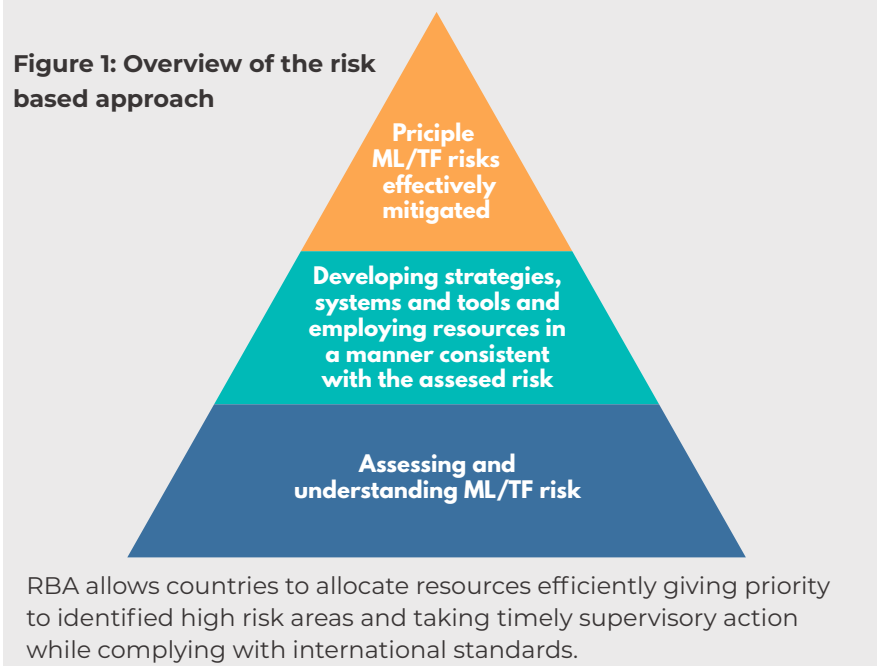
03. Risk Based Approach

RBA is a process of recognising the existence of risks, undertaking an assessment of risks and developing

strategies in order to manage and mitigate the identified risks. ML/TF risk identification has to be performed at least at three levels, namely, national risk assessment, sectoral supervisors' level and individual institutional level, in order to implement a sound RBA. The Financial Action Task Force (2012-2017) states that countries should identify, assess, and understand the ML/TF risks for the country, and should take action, including designating an authority or mechanism to coordinate action to assess risks, and apply resources, aimed at ensuring that the risks are mitigated effectively. At the second level, countries have to apply an RBA to ensure that measures to prevent or mitigate

ML/TF are commensurate with the risks identified. AML/ CFT supervisors have to use the results of the national level assessment as an essential foundation to allocate resources efficiently across the AML/CFT regime and the implementation of risk-based measures. Where a country identifies higher risks, they should ensure that their AML/CFT regime adequately addresses such risks. Where countries identify lower risks, they may decide to allow simplified measures for some of the FATF Recommendations under certain conditions. At the third level, countries should require FIs and DNFBPs to identify, assess and take effective action to mitigate their ML/TF risks.

Figure 1: Overview of the risk based approach



04. Risk based AML/CFT Supervision

The main objective of RBS is to create both a common understanding of RBS and to establish consistent and effective supervisory practices across the different sectors. The supervisory authorities are required to take specific account of the nature and size of a business and lay down specific measures where this is appropriate and proportionate. RBS is characterized as an ongoing and cyclical process consisting of four steps:

Figure 2: Risk based approach to AML/CFT Supervision



Source: Joint Committee of the European Supervisory Authorities (2013)

Step 1 includes identification of ML/TF risk factors, whereby AML/CFT supervisors obtain information on both domestic and foreign ML/TF risks affecting the relevant institutions. They have to consider inherent risk factors involved in generating ML/TF risk on the FIs and DNFBPs. FATF (2012) suggests that inherent risk of ML/TF generally arises from customers of the institution, countries or geographic areas where it operates, products, or services they offer, transactions or delivery channels they use in business activities. FIs also have to perform ML TF risk assessment and they have to document the assessments in order to be able to demonstrate their basis, keep these assessments up to date, and have appropriate mechanisms to provide risk assessment information to supervisors.

Step 2 covers risk assessment, whereby competent authorities obtain a holistic view of the ML/TF risk to which each subject

of assessment is exposed. Supervisors will consider the quality of systems and control in place in order to mitigate inherent ML/TF risk. In this aspect, supervisors may consider corporate governance practices, policies and procedures, risk management processes, internal controls, effectiveness in compliance function, training, and reporting of transactions in terms of the provisions of the FTRA.

Step 3 requires supervisors to allocate supervisory resources for AML/CFT supervision in a way that is commensurate with the ML/TF risk identified. Supervisors have to develop examination strategies based on the identified high risk areas covering the focus, depth, duration and frequency of on-site and off-site supervision, and supervisory staffing needs, including technical expertise.

Step 4 requires supervisors to monitor and review in order

to ensure the risk assessment and associated allocation of supervisory resource remain up to date and relevant. This means that Step 4 can be initiated against the identification of relevant information (Step 1), which may inform a new or updated risk assessment (Step 2), which, in turn, triggers new supervisory actions to mitigate those risks (Step 3).

5. Supervisory actions

In order to improve the overall effectiveness of AML/CFT supervision, a jurisdiction has to develop its AML/CFT legal framework by incorporating the requirements of the FATF recommendations 26, 27, 28, 34 and 35 and implementing the provisions effectively. This involves providing feedback for further improvements and imposing sanctions. The supervisors have to issue guidelines, and provide feedback, which will assist FIs and DNFBPs in applying national measures to combat ML/TF, and, in particular, in detecting and reporting suspicious transactions. At the same time, countries have to ensure that there is a range of effective, proportionate and dissuasive sanctions to be imposed on FIs and DNFBPs that fail to comply with AML/CFT requirements. Sanctions have to be structured in order to be applicable not only to FIs and DNFBPs, but also to their boards of directors and senior management of such institutions.

6. Conclusion

AML/CFT supervision has become a significant component of assessing overall effectiveness of the AML/CFT regime of a jurisdiction. The level of effectiveness of AML/



CFT supervision in Sri Lanka has been assessed as of a low level in a mutual evaluation conducted by APG. One of the key recommendations made by APG was to implement an effective RBA in order to strengthen AML/CFT supervision and allocate supervisory resources efficiently. Accordingly, Sri Lanka has developed a risk assessment tool with the technical assistance of the International Monetary Fund in order to assess the inherent ML/TF risk, the quality of the risk mitigation process employed by the FIs, and the net or residual ML/TF risk of FIs. An overall examination strategy and examination plan have to be prepared based on the results of risk assessment and limited resources to be allocated for high risk FIs. The AML/CFT examinations have to be conducted in a risk sensitive manner and ultimately proportionate and dissuasive sanctions have to be imposed in order to strengthen the AML/CFT framework of FIs. A country that fails to implement a sound AML/CFT regime will be identified as a jurisdiction with strategic deficiencies in the AML/CFT

framework and the outcome to the country will not be favourable. Therefore, countries have to adopt sound AML/CFT strategies in order to strengthen the AML/CFT framework of the country and overcome international pressure on failures.

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Employability Skills of Professional Accountants: **A Comprehensive Review of Literature**

Abstract

The rapid spread and acceptance of globalization and the enormous developments in Information Technology with other drivers have led to dramatic changes in the business environment, which calls for professional accountants to acquire new and updated skills. This paper aims to identify important employability skills and skill categories of professional accountants based on a comprehensive review of the related literature. For this purpose, twenty-six research studies

and two related educational frameworks were examined. The review of the literature indicates that skills: teamwork, written communication, ability to solve real world problems, oral communication, critical thinking, analytical skills, negotiation skills, leadership skills, accounting software skills and thinking and behaving ethically have been cited by most of the extant studies, and thus recognized to be highly important skills required by professional accountants. Further, the findings

of this study indicate that 'personal skills' receive the highest priority among the other categories of skills. Overall, the findings assert that a contemporary professional accountant requires more soft skills compared to mere technical skills. These findings are expected to have significant implications for professional accountants as well as education policy makers.

Keywords: Changes in business environment, Employer's expectations, Employability skills Professional accountants

Background

The contemporary business environment is observed to be highly dynamic (Kavanagh & Drennan 2008) and turbulent, and therefore expectations from the professional accountants are also noted to be rising day by day. Amidst these changes, business leaders, corporate managers, investors, and other stakeholders are expecting different skills from professional accountants. Research indicates that the expectation of new skills and competencies from the professional accountants is a phenomenon of paramount importance not only in developing but also in developed countries. Professional accountants of Sri Lanka are also impacted by these significant changes as in other nations (Watty et al. 2014). If accountants are to find a value-added role in today's dynamic business environment, they must be armed with new skills (Hastings, Philip & Lannie 2002). At the same time, if they are not able to outperform with the new skills, they could become outdated in the job market. On the other hand, the failure of professional accountants to meet their employers' expectations affects overall business significantly. In other words, the degree of business risk goes up. Furthermore, market changes and technological advances have manifest themselves in rapid changes for all stakeholders where business practices, markets and capital adjust and/or move as part of a relentless quest for marginal revenue (De Lange, Jackling & Gut 2006). Accordingly, changes in technology significantly affect the level of skills expected from a modern day professional accountant.

Accounting education worldwide has come under fire for failing to address the skill requirements in today's dynamic business environment (Awayiga, Onumah & Tsamenyi 2010). If there is no development or changes in the education curriculum, professional accountants will not get an opportunity to raise their skill levels to meet the requirements of the new business environment. Consequently, the professional accountants will not be able to find proper employment. On the other hand, their employers also will face difficulties in finding the right person for the job (Albrecht 2002). Therefore, educational policy makers should support the development and improvement of the skills of professional accountants. Further, the identification of important skills will create the opportunity for employers, professional accountants (i.e., employees) and other stakeholders. Especially, existing professional accountants could upgrade their skills, which will benefit them as well as their employers who could secure best-performing employees. Then, the educators and educational policy makers could identify the important skills and design curricula to address these important skills and competencies. Accordingly, the main objective of this study is to identify the important employability skills and skill categories of professional accountants based on a comprehensive review of the literature on the subject.

The rest of this article is structured as follows: the next section discusses the methodology adopted to identify

the required skills of professional accountants. Next, under the analysis, the literature pertaining to employability skills are identified and analysed and the findings are presented, followed by the conclusion.

Methodology

A comprehensive literature survey covering different key search terms yielded 26 empirical studies and two key frameworks on employability skills of professional accountants. These empirical studies related to different countries in different time periods from 2001 to 2017. In addition to these empirical studies, the International Educational Standards (IES) Framework for International Education Standards for Professional Accountants and Aspiring Professional Accountants (2017 Edition) (International Federation of Accountants - IFAC 2017) and the Chartered Global Management Accountants (CGMA) Competency Framework Guide: Generate Value for Long term Success (AICPA 2018) were considered.

In the analysis, first the skills stated in these studies and frameworks were identified and listed in descending order (i.e., ranked) based on the count of studies that referred to the particular skill. The skills that had a count of at least of five (studies) were considered as the cut-off, and therefore, skills cited in more than 5 studies were included in this listing. Using this comprehensive list, the skills that had the highest count were identified as important skills of professional accountants.

Next, in order to identify the most important 'skill category',

the identified skills above were classified based on the different skills categories. Primarily, the skill categorization given in the International Education Standard (IES) Framework (IFAC 2017) was used. This categorization consists of intellectual skills, interpersonal and communication skills, organisational skills and personal skills. In addition to these skill categories, based on the literature review conducted, 'technical and functional skills' were identified as another major skill category. Accordingly, the identified skills earlier were classified under the five skill categories, and the percentage attributed to these skill categories was calculated (i.e., this percentage was calculated based on the number of skills under each

category divided by the number of total skills). The next section presents the analysis and findings secured via the methodology presented under this section.

Analysis and Findings

As mentioned in the methodology section above, based on the literature review, first the listing of employability skills of *professional accountants* was prepared. This listing is presented in Table 1 in descending order based on the count of studies that had cited each skill. It is interesting to note that the skills of *Teamwork, Written Communication, Solving real world problems, Oral Communication, Critical*

Thinking, Analytical skills, Negotiation skills, Leadership skills, Accounting software skills and Thinking and Behaving ethically are the 10 highest ranked skills identified in at least 15 or more studies. On the other hand, skills such as *Adaptability, Ambition, Auditing and Assurance, Business and Organizational Environment, Commercial Law, Commitment to Professional Development, Commitment to the Public Interest, Corporate Governance, Being Ethical and Hard-working, Informed decision-making, Key accounting/Book keeping, Numeracy, Professional Attitude and Behaviour, Self-confidence and Value-orientation* had a count of 5.



Table 1: Ranking of Employability Skills based on Literature

No.	Employability Skills	a ¹	b	c	d	e	f	g	h	i	j	k	l	m	N	o	P	q	r	s	t	u	v	w	x	y	z	aa	ab	Count
1	Teamwork	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	23
2	Written communication	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	22
3	Solve real world problems	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	21
4	Oral communication	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	20
5	Critical thinking	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	20
6	Analytical skills	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	16
7	Negotiation skills	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	16
8	Leadership skills	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	16
9	Accounting software skills	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	15
10	Think and behave ethically	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	15
11	Creativity	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	14
12	Listen effectively	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	13
13	Risk analysis and management	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	13
14	Management reporting	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	12
15	Decision making	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	11
16	Flexibility	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	11
17	Planning and organization ability	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	10
18	Cross cultural appreciation	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	10
19	Engage in lifelong learning	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	10
20	Present, discuss and defend views	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	10
21	Self-initiative	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	10
22	Time management	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	10
23	Business Statistics	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	9
24	Change management	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	9
25	Cross functional appreciation	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	9
26	Information technology skills	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	9
27	Organize and delegate tasks to motivate and develop people	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	9
28	Logical argument	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	9
29	Professional demeanour/ Professional appearance	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	9
30	Professional skepticism	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	9
31	Research skills	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	9

[illegible]

[illegible]

In addition, to the above analysis of the importance of the individual skills, as suggested under Methodology, the identified skills were then categorised based on the International Education Standards for Professional Accountants and Aspiring Professional Accountants framework (IFAC 2017), i.e., intellectual skills; interpersonal and communication skills; organizational skills and personal skills. Further, it was noted that an additional category, viz. technical and functional skills, was identified. Table 2 below indicates the ranking of these skill categories, which is calculated and ranked based on the ratio between the number of skills under each category and the total skills. Based on the results in Table 2 it is identified that skill category, 'Personal skills', has been ranked No. 1, indicating the highest importance. On the other hand, the skill category, 'Organizational skills' has been identified as the lowest ranked skill category.

Source: Authors' construction

Table 2: Ranking of the Employability Skill Categories

Categories Employability skills	Example of skills	Number of skills (based on Table 1)	Percentage as total skills	Rank
Personal Skills	Positive attitude, Integrity	27	34.62%	1
Technical and Functional Skills	Accounting software skills, Auditing and assurance	19	24.36%	2
Interpersonal and Communication Skills	Negotiation skills, Presentation skills	13	16.67%	3
Intellectual Skills	Analytical skills, Solve real world problems	12	15.38%	4
Organizational Skills	Project management, Planning and organization ability	7	8.97%	5
Grand Total		78	100%	

Source: Authors' construction

Conclusion

The main purpose of this study was to identify the important employability skills and skill categories of professional accountants using the extant literature. Accordingly, 26 empirical studies and two frameworks related to accounting skills were considered. The results indicate that skills of Teamwork, Written Communication, Solving real world problems, Oral Communication, Critical Thinking, Analytical skills, Negotiation skills, Leadership skills, Accounting software skills and Thinking and Behaving ethically, are the 10 highest most cited skills. On the other hand, in terms of skill categories, the skill category of 'Personal skills' was ranked No. 1. Accordingly, based on these findings, it could be concluded that 'soft skills' are given prominence as employability skills of professional accountants over

mere 'technical skills'. Consistent with this finding, Mohamed and Lashine (2003) indicate that education should encourage communication, interpersonal and intellectual skills to prepare professional accountants for a better understanding of the broad picture of business in today's global environment. Further, Mohamed and Lashine (2003) conclude that the accounting education system should provide not only soft skills and competencies, but also the know-how that enables aspiring professional accountants to apply those skills. Similarly, Webb and Chaffer (2016) concludes that commercial awareness, ethical awareness and conflict management should be cultivated by professional accountants using the available opportunities rather than professional training or formal work-based training in the UK

context. Supporting these findings, Tempone et al. (2012), in a study carried out in Australia covering employers of all sectors, concluded that employers demand from the professional accountants to be work-ready employees for their job; and that professional accountants should be armed with soft skills so that they could commence work immediately on the first day itself. Thus, these studies and the present study highlight the importance of soft skills for professional accountants. However, it also should be highlighted that this finding does not attempt to indicate that possessing 'technical skills' in accounting is something bad, but merely having such skills is not sufficient, and possession of 'soft skills' by professional accountants provide a competitive advantage over others in finding better employment. These findings are expected to have significant policy implications,

especially for designing and implementing the curricula of professional accountants where 'soft skills' should be emphasized while providing a sound grounding in 'technical skills'.

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Appendix 1

Ref No.	Name of the Study	Author/s Name/s	Year of Publication
a	Handbook of International Education Pronouncements - 2017 Edition) (Framework for International Education Standards for Professional Accountants and Aspiring Professional Accountants)	International Federation of Accountants	2017
b	CGMA competency framework guide: generate value for long-term success (Chartered Global Management Accountant Competency Framework)	Association of International Certified Professional Accountants	2018
c	Skills expectation- performance gap: a study of Pakistan's accounting education	Parvaiz, GS	2014
d	Knowledge and skills development of accounting graduates: the perceptions of graduates and employers in Ghana	Awayiga, JY, Onumah, JM, Tsamenyi, M	2010
e	What skills and attributes does an accounting graduate need? Evidence from student perceptions and employer expectations	Kavanagh, MH, Drennan, L	2008
f	Perception of employers and educators in accounting education	Ali, IM, Kamarudin, K, Suriani, NA, Saad, NZ, Afandi, ZAM	2016
g	Professional skills and capabilities of accounting graduates: the New Zealand expectation gap?	Wells, P, Gerbic, P, Kranenburg, I, Bygrave, J	2009
h	Expectation gaps, job satisfaction, and organizational commitment of fresh graduates: roles of graduates, higher learning institutions and employers.	Jusoh, M, Simun, M, Chong, SC	2011
i	Quality in accounting graduates: employer expectations of the graduate skills in the bachelor of accounting degree	Sithole, STM	2015
j	The expectation performance gap in accounting education: a review of generic skills development in UK accounting degrees	Webb, J, Chaffer, C	2016

Ref No.	Name of the Study	Author/s Name/s	Year of Publication
k	The effect of the level of accounting degree obtained on recruiters' perceptions of accounting graduates	Metrejean, E, Metrejean, CT, Stocks, MH	2008
l	Accounting curriculum and market needs	Mandilas, A, Kourtidis, D, Petasakis, Y	2014
m	Accounting graduates' perception of skills emphasis in undergraduate courses: an investigation from two Victorian universities	De Lange, P, Jackling, B, Gut, A	2006
n	Accounting knowledge and skills and the challenges of a global business environment	Mohamed, EKA, Lashine, SH	2003
o	The accounting profession's influence on academe: South African evidence	Venter, ER, de Villiers, C	2013
p	Desirable generic attributes for accounting graduates into the twenty-first century: the views of employers	Tempone, I, Kavanagh, M, Segal, N, Hancock, P, Howieson, B, Kent, J	2012
q	Developing critical thinking skills and effective co-operative international accounting degree programs in China	He, H, Craig, C, Wen J	2013
r	Do accounting graduates' skills meet the expectations of employers? a matter of convergence or divergence	Jackling, B, De Lange, P	2009
s	Evidence of improvement in accounting students' communication skills	Evans, E, Cable, D	2011
t	Generic skills in accounting education in a developing country: exploratory evidence from Sri Lanka	Abayadeera, N, Watty, K	2016
u	Graduate employees' generic skills and training needs	Pitan, OS	2017
v	Personal skills development in the accounting curriculum	Gammie, B,	2002

Ref No.	Name of the Study	Author/s Name/s	Year of Publication
		Gammie, E, Cargill, E	
w	Professional skills and capabilities of accounting graduates: the New Zealand expectation gap?	Wells, P, Gerbic, P, Kranenburg, I, Bygrave, J	2009
x	South African training officers' perceptions of the knowledge and skills requirements of entry-level trainee accountants	Barac, K	2009
y	Teaching with case studies: an empirical investigation of accounting lecturers' experiences	Healy, M, McCutcheon, M	2010
z	Teamwork from accounting graduates: what do employers really expect?	Paguio, R, Jackling, B	2016
aa	The expectation-performance gap in generic skills in accounting graduates: evidence from Sri Lanka	Abayadeera, N, Watty, K	2014
ab	Towards a global model of accounting education	Watty, K, Sugahara, S, Abayadeera, N, Perera, L, McKay, J	2014

UPCOMING CPD EVENTS 2018

No.	Month	Topic
1.	July	Cyber Security – How safe is your IT System?
2.	August (6-8)	Forensic Audit
3.	August	Financial Transaction Reporting Act
4.	September	Valuation of Intangible
5.	September	Big Data Analytics
6.	October	Recent Developments in Management Accounting
7.	October	Cutting edge Development in Cost Accounting
8.	November	Budget Highlights 2019
9.	December	Risk Based Internal Audit

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