



1. Objectives of the webinar

To share the first results of a survey conducted in 30 countries by ECIIA and EUROSAI and ask for feedback/experience (polls).

Main themes of the Practitioners and Experts:

- What are the benefits of NFR and IR?
- What are the challenges to implement NFR and IR?
- What is the role of internal auditors?
- What is the assurance process?
- What is the role of the external auditors?
- How do internal and external auditors collaborate?

2. Introduction: Soledad Llamas, Internal audit & Risk Director, Canal de Isabel II; Martin Dees, Netherlands Court of audit.

Non-Financial Reporting (NFR) is the first step and covers governance, environment, social, human rights, anti-corruption issues. It is presented in the annual report and the EC has issued a Directive for big companies (EU Directive (2014/95)) and is currently reviewing it (first quarter 2021).

Integrated Reporting (IR) includes financial and non-financial data, it shows how organisations add value in the short term and long term; how they use the different capitals and inform the stakeholders. Based on IIRC; it covers the financial, intellectual, social, natural and manufacturing capitals.

Internal and external audit both play an important role: they are independent, have a global view and have the knowledge of risks. Their roles are different based on the maturity of the reporting process: from advisory to assurance role.

IR is more and more adopted in the public sector; it helps to build on achievements and to report on performance (effectiveness and efficiency).

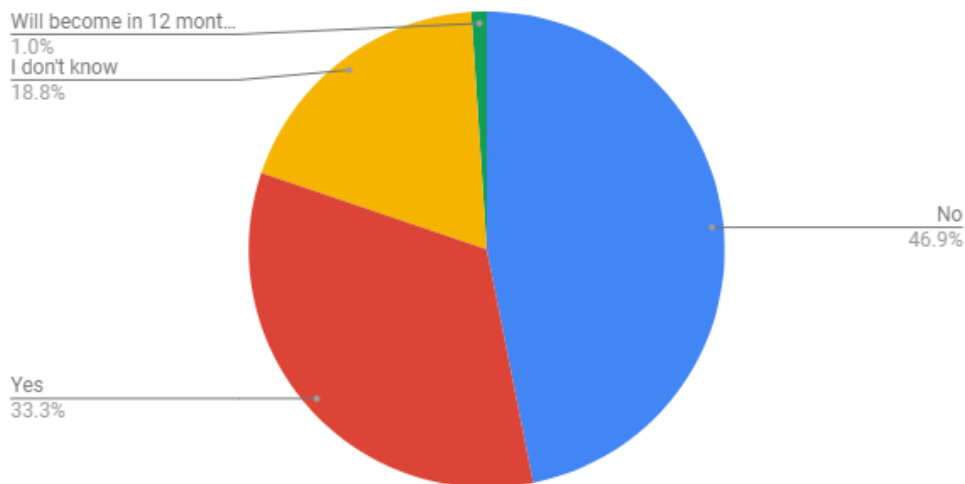
Both reports (financial and non-financial) should reflect accountability for fairness, finance, performance aspects and help to fulfil internal and external responsibilities. They provide a good opportunity to express the responsibilities (eg climate, diversity) to society and the stakeholders.

Public accountability is key for external auditors in the public sector. We need to execute sound public sector audit and stimulate/promote public entities to adopt integrated reporting as it is still at early stage.

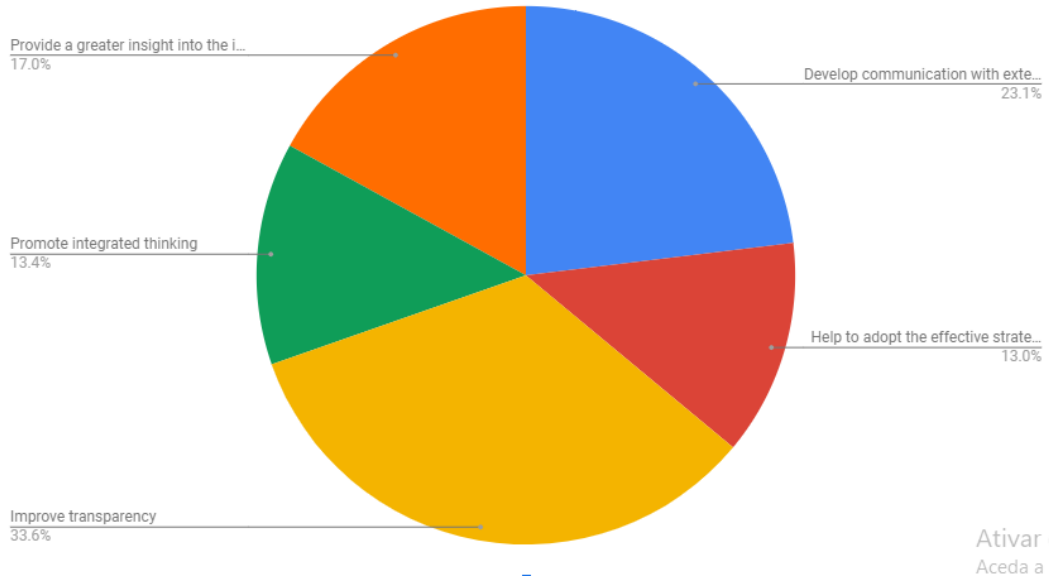
Integrated thinking is also particularly important: we must involve the whole organisation and not just the accounting, PR departments.

3. Polls

Is Non-Financial Reporting compulsory for the public sector in your country?

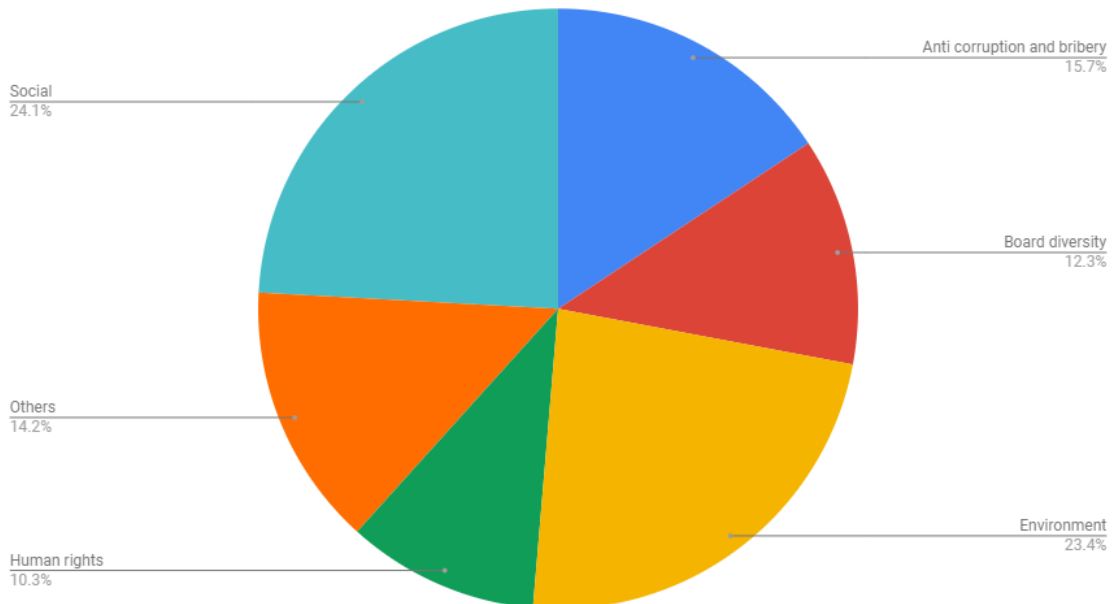


What are the main drivers/perceived benefits of Integrated Reporting in the public sector in your company?

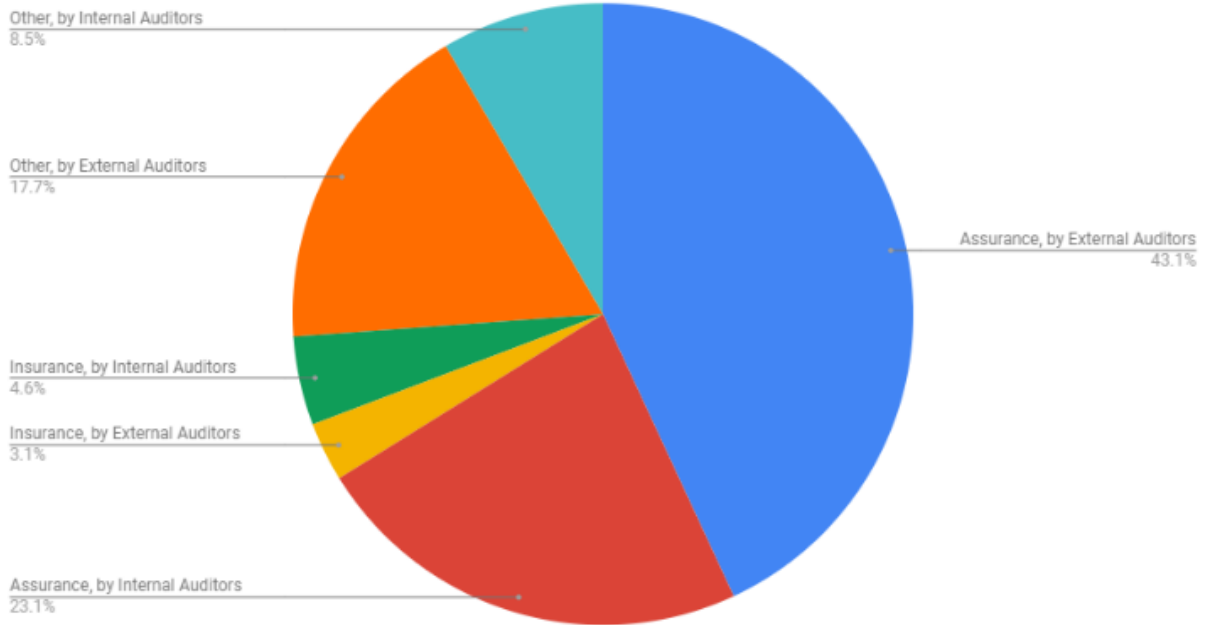


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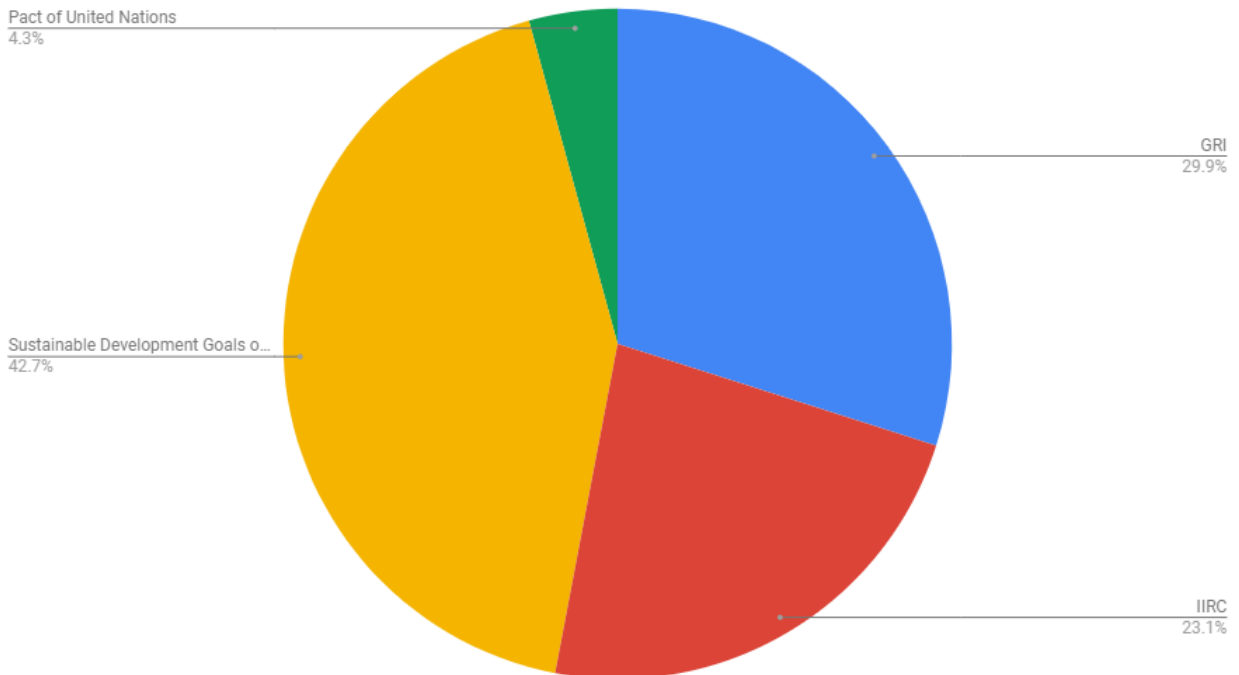
Which types of Non Financial information are included in the annual report?



What is the current or potential role in relation to Integrated Reporting in the public sector in your country of the following? (Please select 2 options)



Standards on Non-Financial Reporting



4. Challenges, benefits, and opportunities of NFR for public entities: Prof. Vicente Montesinos, Professor Emeritus, Accounting, Valencia University, Spain.

Assurance on NFR is a difficult task for auditors.

There are pressures and commitments (Directive, Sustainable goals OECD....) to go in this direction.

The main benefits are to improve accountability and decision making to strengthen the relations with stakeholders, politicians. It also helps having a long-term plan.

The main challenges are the integration of the different dimensions, the level of materiality, the digitalisation, and the harmonisation/standardisation

There is a disinterest of the politicians, a lack of adequate assurance model and a lack of resources.

There are 2 types of assurance: the reasonable assurance should be the goal, but the limited assurance is a good first step.

We need to make changes at various levels:

- Internal controls should involve the new dimension of non-financial reports and audit objectives should include performance, citizens, sustainability and accountability

- we must involve professionals from the different specialities (environment, social, human rights, anti-corruption...)

- we must create a strong coordination between all parties involved in the assurance process: internal, external auditors and specialists

- we must develop new audit procedures, new methodology and new audit capabilities

The promotion and control of NFR should be a challenge for auditors and politicians!

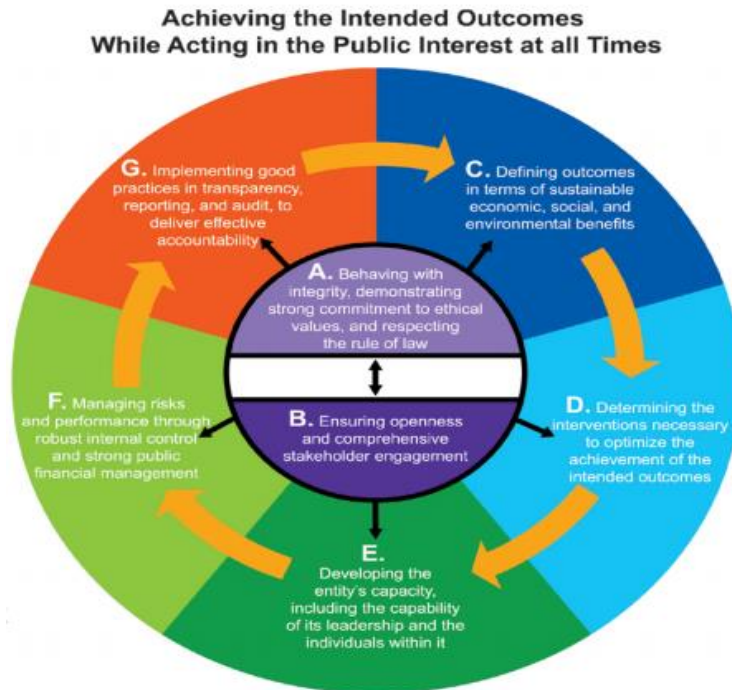
5. Challenges, benefits, and opportunities of Integrated Reporting (IR) for public entities: Prof. Adriana Tiron Tudor Full Professor, PhD Supervisor in Accounting and Audit, Faculty of Economics & Business Administration, Babeş-Bolyai University, Romania.

There are a lot of frameworks but, in Europe GRI is the most popular one based on the practices and the answers to the recent EC consultation regarding the revision of the NFR Directive

At international level, there is a trend for the integration of non-financial reporting with financial reporting and to present the whole activity in an integrated manner.

The main challenge is integrated thinking, it is a huge cultural change!

In the Public Sector, a good governance has various components interacting



The role of internal audit is in E and F while the role of the external auditor is in G.

Many entities publish a lot of reports: financial, KPIs on social impact, environment...to demonstrate accountability to the users. The recommendation is to provide a single report that integrates all the dimensions.

To start to go into this direction, public entities must define their goals, objectives and how and why they should start an integrated report.

There is some guidance available for practitioners from CIPFA and CIMA for example.

Applying IR in the Public Sector contributes to good governance but changing the thinking inside the entities is a big challenge: we need clear management goals with multi capital focus in a proactive environment. It is also important to foster a culture of collaboration and integration

6. Conclusions: Melvyn Neate-Chair ECIIA Public Sector Committee

NFR is well established in the Public Sector but IR needs further developments and has many benefits for public entities.

The Public Sector has a vast impact on environment, resources, society.

IR facilitates long term value creation, informs better decisions, provides greater transparency and supports sustainable government,... It improves Public Sector services.