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Integrated reporting: formation and evolutionary development

This article reviews theoretical aspects of integrated reporting, which poses as a new model of corporate reporting. It also establishes the essence of integrated reporting, identifies its pros and cons, and determines fundamental distinctions between traditional and integrated reporting. For this research following methods were used: systematic approach, generalization, comparison, analysis, and tracing cause and effect relationships. The goal of the integrated reporting preparation is studied in accordance with the International Integrated Reporting Standards. Research papers of foreign scholars regarding the questions of integrated reporting were used as a methodological groundwork of this research article. Along with this, the article presents a table where a comparative description of financial and integrated reporting is made, which makes it possible to reach a new level, providing users with better, reliable and reliable information. In the outcome, it was discovered that as soon as companies start the practice of using integrated reporting it will result in the higher trust of investors, which increases their investment attractiveness, what will have a positive impact on the state economy on its way to the world's top 30 competitive countries.

Keywords: integrated reporting, financial reporting, non-financial information, sustainable development, environmental report, social report, economic report, future orientation, corporate governance, investment decision.

Financial reporting prepared in a certain reporting period is the purpose and the result of the accounting process.

If financial reporting provides a result of keeping financial records, management records are the result of management accounting. There are various approaches in the formation of indicators in reporting since each kind of accounting is oriented to and aimed at a specific group of users.

Financial reporting exposes certain aspects and results of the enterprise's activity. Due to the fact that over several years it has been composed within the framework of legislative and regulatory texts following certain regulations, it is to the users understanding which indicators they are interested in and what can hide behind them.

It is much more complicated with management reporting because a wide circle of users within the framework of record-keeping suggests the creation of different information and, by the request, report formation, which include not only data fixed in the statistics, but also the estimates.

Users today are interested in enterprises not only as a source of gross product creation but also as subjects bearing social and environmental responsibility. The interest of external users in the specified information led to the emergence and development of the social and environmental report.

Integrated reporting provides complete and reliable information about the enterprise, and which includes data on strategic plans and future prospects of the company. Along with all mentioned above, integrated reporting contains non-financial information, for example, an enterprise development strategy and plan, an environmental and social component of an enterprise's activities, an enterprise management style and model, plans for the future, that is, about upcoming events that will affect the enterprise's future activities.

Integrated reporting essentially differs from traditional financial reporting in many aspects, focusing on the transparency of the reflection of all resources that the enterprise has. The information generated has an impact on decisions made by investors, auditors, owners, etc. Therefore, users expect more transparent information from a non-financial report, which is aimed at an adequate management decision.

In addition, it can be elucidated, that the system and forms of compiling integrated reporting are not fixed by legislative and regulatory documents. It is recommended to formulate information in accordance with the listed principles: strategic orientation, consistency of information, orientation to the future, the involvement of stakeholders and orientation to their needs, sustainability and materiality.

The main goal of the formation of integrated reporting is to present all areas of the enterprise in a more concise form. Information compiled on the principles of integrated financial reporting enables enter-

prises to correctly conduct in-depth analysis and on its basis, draw conclusions on the sustainable development of companies.

The purpose of financial reporting is also enshrined in the International Integrated Reporting Standards, as a presentation to a wide circle of users of information on the financial situation, financial results and cash flows of the company, which is necessary when they make decisions on economic matters.

However, in the modern development of enterprises, when many companies have suffered from the consequences of the global financial crisis, operating functions of business entities on the market have changed. Since the information contained in the financial statements does not reflect the full picture of the entity, it becomes insufficient for medium and long-term economic decisions, both by investors and other users of financial statements. There is a growing need for other non-financial information on the subject, since these aspects often have a significant impact on the assessment of the real situation of company and the prospects for its further development. Therefore, along with financial reporting, the procedure and the need of which is strictly regulated by the regulatory legal acts of each state, such an improved reporting model as integrated reporting is becoming increasingly popular in world practice.

The problems and prospects of integrated reporting development are devoted to the scientific works of Russian authors such as A. Vyruchaeva, L.N. Gerasimova, V.G. Getman, T.Y. Druzhilovskaya, U.Y. Roshchektayeva, A.N. Khorin, A.V. Brovkin, O.E. Medvedeva, G.I. Mikerin, P.V. Medvedev.

As reported by Chkhutiashvili L.V. the purpose of integrated reporting is to avoid confusion and provide clear, concise and understandable information about the company. Integrated reporting inherently aims to better convey to users how the company works [1].

According to authors such as Khorin A.N., Brovkin A.V. the ultimate goal of integrated reporting is to implement a multidimensional measuring approach to monitoring the creation of the organization's values, including economic, environmental and social performance in the long term. It was noted that the initial formation of value occurs by involving external resources in the economic turnover, as well as, value is created through relations with market participants, creating effects in the external environment [2].

Gerasimova L.N. believes that the goal of compiling integrated reporting is to present in a concise form all the areas of the company's activities in interconnection in the form of information that is understandable to any user who does not even have special knowledge. Based on this, the author defines the essence of integrated reporting as a single document, which reflects significant and accurate information about the company's strategy, corporate governance system and performance indicators in the social, economic and environmental fields [3].

In this matter, it can be concluded, that integrated reporting is a new improved reporting form, which implies the presentation of brief but meaningful information about all the aspects of company, both financial and non-financial in the short, medium and long term.

The first integrated report appeared in 2001, and in 2010 the International Committee for Integrated Reporting was created.

The International Committee for Integrated Reporting has developed an international standard for integrated reporting, which sets out and exposes the main elements of an integrated report that is to be disclosed, for example, financially measured indicators — income, tax payments, etc. Along with this, non-financial ones are also revealed — the sustainability of the business model, environmental and social consequences.

Integrated reporting involves a combination of financial and non-financial indicators.

One of the most important and common indicators that investors are interested in is the financial result, which is expressed in the form of an increase in the value of the enterprise, in regards the intermediate results, they are net profit and the ability to accumulate spare financial resources.

The process of preparing and presenting an integrated report is based on the following principles:

- 1) future orientation;
- 2) information utilitarianism;
- 3) close interaction with users;
- 4) materiality;
- 5) compressibility;
- 6) reliability and integrity;
- 7) stability and comparability.

The principle of future orientation assumes that an integrated report should include a strategic analysis that contributes to the achievement of strategic goals and value creation.

The principle of information utilitarianism is based on the fact that the information contained in the report should identify the relationship between factors that affect the organization's ability to create value.

The principle of close interaction with users reflects the importance of close cooperation with investors, owners, etc.

The principle of materiality reflects the disclosure of information on issues that demonstrate a significant impact on assessing the organization's ability to create value in short, medium and long term. The process of determining significant factors includes discovering important elements on the basis of their ability to influence the creation of value, assessing the importance of significant factors, prioritizing factors, determining the information to be disclosed. This process applies to both positive and negative factors.

According to the fifth principle, the integrated report gives preference to the brevity and conciseness of the content. However, this should include complete and reliable information on the management of the enterprise and indicate future prospects.

The principle of reliability and integrity implies that the integrated report includes all material facts, both positive and negative, with the exception of the possibility of making significant errors.

The principle of stability and comparability requires the provision of information contained in the report on the ongoing basis over time and in such a way that it can be compared with other organizations if necessary.

Quoting the opinion of D.P. Antonov, the idea of creating integrated reporting arose within the framework of the concept of sustainable development. Nevertheless, the sustainable development of the enterprise simultaneously may or may not meet the sustainability of society as a whole [4; 2].

Other authors interpret [5; 4] that integrated reporting is formed on the basis of the groups of key indicators for reporting on sustainable development. Comparing the opinions of many authors who study this area of reporting, one can consider a sufficient number of advantages of integrated reporting over the traditional form of financial reporting, which is presented in the following comparative Table.

Table

Comparative description of financial and integrated reporting

Indicators	Traditional financial reporting	Integrated reporting
Characteristics of the information	Financial	Financial and non-financial
Terms	Short-term	Short-term, medium-term, long-term
Relevance of the information	Information is based on the facts of economic life occurred in a previous period	Information is based on strategic development in the future
Transparency of the information	Less transparent	More transparent

Studying the data of Table, it can be concluded that, by forming various models of integrated reporting, enterprises will be able to achieve a new level, providing users with better, reliable and trustworthy information.

The integrated reporting of the enterprise will fulfil a socially significant function, as it will provide information on the role and contribution of the organization to improving the welfare of the society, indicating the internal and external results of its activities, which is considered as the main criterion nowadays.

For stakeholders, an integrated report should disclose six aspects:

- economic;
- environmental;
- decent work organization;
- human rights;
- society;
- product liability.

For each of the mentioned above aspects, the principles of the disclosure are defined, but the indicators that would characterize them are not defined. The company on its own should determine the main indicators and present them in a clear and accessible format.

At the present stage, large companies of the Russian Federation demonstrate integrated reporting on their official websites, which is depicted in a variety of formats, including interactive ones. These are such enterprises as Rosenergoatom Concern JSC, Atomenergoproekt JSC, TVEL JSC and others.

Kazakhstan is also among the states making the first attempts to create integrated annual reports. In particular, from such documents in most of the cases, a more holistic view of the company's activities and its development strategy in the future is formed. Nevertheless, even Kazakhstani leaders in the field of preparing annual reports still have improvements to implement, and not only in the field of information disclosure on sustainable development but also in providing classic sections of the annual report.

Starting from March 15, 2018, an internal document was introduced, which was approved by the decision of the Board of the Kazakhstan Stock Exchange «Methodology for compiling a report on the criteria of environmental performance, social responsibility and corporate governance». This document was developed in order to update the previously existing methodology, which is an instruction on the preparation of a report on environmental, social responsibility and corporate governance criteria — Environmental, Social and Governance (ESG) — by listed companies and Exchange members.

In 2013, the Russian Regional Integrated Reporting Network conducted a study of corporate transparency of Russian companies, during which a final rating of the reporting quality of the largest Russian companies was derived. The organizers of this study argue: «Increasing information transparency and openness of large companies to all interested parties is an important factor in the sustainability of business and makes a significant contribution to the socio-economic development of the country.

The increase in the value of companies, the reduction of risks in investing and the increase of public confidence in the activities of the biggest companies largely depend on how openly and truthfully companies disclose information about their achievements and problems, about the strategy and its implementation, about the resources used and contributions to the development of people, technologies, regions.

Examining the users' opinions regarding integrated reporting, following notes can be remarked: investors are confident that the leaders of public companies should annually present a clear strategy for creating value for the long term, and it is also believed that non-financial results play a key role in making investment decisions, and this is mainly what the company works and strives for. In addition, investors find reports about sustainable development as a useful and significant source of non-financial information that strengthens their corporate image among all stakeholders.

In Russia, there have been positive aspects regarding the disclosure of non-financial information that concerns the activities of companies. In particular, on May 5, 2017, the Concept for the development of public non-financial reporting in Russia was approved. This Concept identifies three types of reports related to non-financial reporting:

- report on sustainability;
- annual report with extended information;
- integrated report.

In this concept, 4 development stages are distinguished:

- 2017–2018 — development of the regulatory and methodological framework;
- 2019–2020 — development of a system of advanced training for specialists compiling reports and continued development of the methodological and regulatory framework;
- 2021–2022 — improving the regulatory system and reporting stimulation, developing additional criteria that take into account industrial peculiarities;
- 2023 — active operation of mechanisms that regulate and stimulate the preparation of public non-financial reporting.

There is also a rise in the number of companies compiling integrated reporting in Russia. In particular, according to the website of the Russian Union of Industrialists and Entrepreneurs, as of February 14, 2018, 140 companies submitted integrated reports, which is 20 companies more than in 2017. Sustainable development reports were submitted by 277 companies.

It should be noted that the energy sector companies account for the largest share (54 %) among all Russian integrated reporting companies, and oil and gas companies are leaders in terms of compiling sustainable development reports and environmental reports.

In the future, the use of integrated financial reporting will give enterprises an opportunity to expand the circle of external users and become more informative, transparent and practical. The company will have a chance to interest potential investors, investors, and lenders, thanks to the ability to review integrated report-

ing in the public domain. At the same time, they reveal the company's mission and development strategies, planned results and events, achievements, company policies in various fields of activity.

In conclusion, I would like to note that these days integrated financial reporting is a new direction in the development of financial reporting, which discloses not only financial information but also pays special attention to the social and environmental spheres of its activities.

To make various kinds of economic decisions, specific information about the company is essential. In turn, integrated reporting will help smooth out the conflict of interests of users, including this data.

It is worth noting that the conceptual basis of integrated reporting is almost identical to the conceptual basis of financial reporting, which, without changing the most crucial thing, is conducive to achieving its goal. Nevertheless, a sufficient amount of time must pass for enterprises to appreciate the importance of such reports, and most importantly, they could adapt approaches to the preparation of such reports that would be positively perceived by all interested users.

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Л.К. Мусипова, Г.Н. Накипова, С.К. Кудайбергенова, Л.А. Зимакова

Интеграцияланған есептілік: құрылуы мен эволюциялық дамуы

Мақалада интеграцияланған есептіліктің теориялық аспектілері қарастырылған, ол корпоративтік есептіліктің жаңа моделі болып табылады. Интеграцияланған есептіліктің мәні анықталған, оның артықшылықтары мен кемшіліктері анықталды, дәстүрлі және интеграцияланған есептілік арасында қағидалы айырмашылықтары белгіленді. Осы мақаланы жазу кезінде қолданылған зерттеу әдістері ретінде біз жүйелік тәсілді, жалпылауды, салыстыруды, талдауды және себеп-салдарлық байланыстарды анықтадық. Зерттеудің әдіснамалық негізі шетелдік ғалымдардың интеграцияланған есеп беру мәселелеріне қатысты еңбектері болды. Халықаралық интеграцияланған есеп беру стандарттарына сәйкес интеграциялық есеп беруді дайындаудың мақсаты зерделенді. Сонымен қатар, болашаққа бағдарлау, пайдаланушылармен тығыз өзара іс-қимыл, сенімділік пен тұтастық, тұрақтылық пен салыстыру және басқалар сияқты қағидаттар бойынша интеграцияланған есепті дайындау және ұсыну үрдісі ашылды. Сонымен бірге, мақалада пайдаланушыларға сапалы, сенімді және сенімді ақпарат беріп, жаңа деңгейге шығуға мүмкіндік беретін қаржылық және интеграцияланған есептердің салыстырмалы сипаттамасы келтірілген кесте берілген. Компаниялардың интеграцияланған есепті дайындап ұсынуы тәжірибесін қолдану инвесторлар арасында үлкен сенімділікті оятады, осылайша олардың инвестициялық тартымдылығын арттырады, бұл тұтастай алғанда әлемдегі бәсекеге қабілетті отыз елдің қатарына кіру жолында мемлекеттің бүкіл экономикасына оң әсер етеді.

Кілт сөздер: интеграцияланған есептілік, қаржылық есептілік, қаржылық емес ақпарат, тұрақты даму, экологиялық есеп, әлеуметтік есеп, экономикалық есеп, болашаққа болжам, корпоративтік басқару, инвестициялық шешім.

Л.К. Мусипова, Г.Н. Накипова, С.К. Кудайбергенова, Л.А. Зимакова

Интегрированная отчетность: формирование и эволюционное развитие

В статье рассмотрены теоретические аспекты интегрированной отчетности, которая представляет собой принципиально новую модель корпоративной отчетности. Определена сущность интегрированной отчетности, выявлены ее преимущества и недостатки, установлены принципиальные различия между традиционной и интегрированной отчетностью. В качестве методов исследования, которые использовались при написании данной статьи, отобраны системный подход, обобщение, сравнение, анализ и выявление причинно-следственных связей. Изучена цель составления интегрированной отчетности в соответствии с Международными стандартами интегрированной отчетности. Исследованы мнения авторов по составлению интегрированной отчетности. Методологической основой исследования послужили труды зарубежных ученых, касающиеся вопросов интегрированной отчетности. Вместе с тем, раскрыт процесс подготовки и презентации интегрированного отчета на таких принципах, как ориентация на будущее, тесное взаимодействие с пользователями, надежность и целостность, стабильность сопоставимость и др. Наряду с этим, в статье представлена таблица, где представлена сравнительная характеристика финансовой и интегрированной отчетности, которая дает возможность выйти на новый уровень, обеспечив пользователей более качественной, надежной и достоверной информацией. Сделан вывод о том, что принятие практики составления компаниями интегрированной отчетности вызовет большее доверие инвесторами, тем самым повысив их инвестиционную привлекательность, что в целом благоприятно скажется на все экономике государства на пути вхождения в тридцатку конкурентоспособных государств мира.

Ключевые слова: интегрированная отчетность, финансовая отчетность, нефинансовая информация, устойчивое развитие, экологический отчет, социальный отчет, экономический отчет, ориентация на будущее, корпоративное управление, инвестиционное решение.

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