Chartered Institute of
Management Accountants

CIMA

INTEGRATED REPORTING

in the Public Sector

ABOUT CIMA

Chartered Institute of Management Accountants (CIMA)

The Chartered Institute of Management Accountants, founded in 1919, is the world's leading and largest professional body of Management Accountants, with more than 227,000 members and students operating in 179 countries, working at the heart of business. CIMA members and students work in industry, commerce, the public sector and not-for-profit organisations.

Chartered Global Management Accountant (CGMA)

Two of the world's most prestigious accounting bodies, AICPA and CIMA, have formed a joint-venture to establish the Chartered Global Management Accountant (CGMA) designation to elevate the profession of management accounting. The designation recognises the most talented and committed management accountants with the discipline and skill to drive strong business performance.

American Institute of CPAs (AICPA)

The American Institute of Certified Public Accountants (AICPA) is the world's largest association representing the accounting profession, with more than 412,000 members in 144 countries and a 125-year heritage of serving the public interest. AICPA members represent many areas of practice, including business and industry, public practice, government, education and consulting.

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INTEGRATED REPORTING IN THE PUBLIC SECTOR

With increasing demand for greater transparency and accessibility in corporate reporting, interest in Integrated Reporting (abbreviated as <IR>) has grown in recent years. Yet the benefits of using this approach extend far beyond the production of user-friendly published accounts. This report highlights the wider benefits of <IR> to public sector organisations, identifying relevant international examples.

WHAT IS <IR>?

<IR> seeks to tell the story of how an organisation creates value.

The International <IR> Framework sets out the fundamentals of Integrated Reporting in the following terms:

> *"<IR> is a process founded on integrated thinking that results in a periodic integrated report by an organisation about value creation over time. Integrated thinking is the active consideration of the relationships between an organisation's various operating and functional units and the capitals that are used or affected. An integrated report is a concise communication about how an organisation's strategy, governance, performance and prospects, in the context of its external environment, lead to the creation of value in the short, medium and long term."*

<IR> integrates material factors into a full story of value creation encompassing both financial and pre-financial issues.

> The term "Pre-Financial" is used to denote those factors that although not impacting on an organisation's financial performance in the short-term will inevitably have a financial impact over time. Common practice is to use the term "non-financial" to describe these factors but this can give the false impression that there is no medium- or long-term financial impact.
>
> For example, an organisation's people are its most important asset. Metrics often used to assess the strength of this asset derive from staff engagement surveys and satisfaction surveys. A deterioration in these so-called "non-financial" indicators will inevitably lead to financial issues such as increased costs as a result of lower efficiency and engagement with key objectives and lower funding as a result of poorer relationships with clients. We therefore believe that the term "Pre-financial" is a more accurate term to use to help embed the importance of these factors.

The <IR> Framework envisages that an integrated report should be prepared primarily for providers of financial capital in order to support their financial capital allocation assessments. In the public and not-for-profit sectors this refers to those providing financial funding to the organisation as distinct from shareholders in a private sector context.

Although funding providers are the primary intended report users, an integrated report and other communications resulting from <IR> will be of benefit to all stakeholders interested in an organisation's ability to create value over time, including employees, customers, suppliers, business partners, local communities, legislators, regulators, and policy-makers.

The Framework document sets out the three fundamental concepts of <IR>:

Fundamental concept: Value Creation

Value creation lies at the heart of <IR>. Traditionally the meaning of value has been associated with the present value of expected future cash flows, and value creation has been understood as the change in that measure of value due to an organisation's financial performance. <IR> is based on the understanding that future cash flows and other conceptions of value are dependent on a wider range of capitals, interactions, activities, causes and effects, and relationships than those directly associated with changes in financial capital.

Value for <IR> purposes, therefore, encompasses other forms of value that the organisation creates through the increase, decrease or transformation of the capitals, each of which ultimately affect financial returns. The purpose of an integrated report is not to measure the value of an organisation or of all the capitals, but to provide the information that enables report users to assess the ability of the organisation to create value over time.

There are two components of value:

- (a) value to the organisation, and
- (b) value to society/stakeholders broadly.

While creating value for itself, the organisation also creates and/or destroys value for others (for example, salary payments create value for employees) and, to the extent it affects the organisation's ability to create value for itself in the future, the value created and/or destroyed for others should be included in the integrated report. An example of this is the management of non-renewable natural resources, which should be central to a mining company's long term value creation strategy.

What the term 'value' means can vary from organisation to organisation. A key question to answer is 'What are we trying to achieve, what does success look like?'. Being able to articulate this and disseminate it throughout the organisation is key to sustainable success.

Fundamental concept: The Capitals

The 'capitals' – this is the IIRC's term for the broad range of resources and relationships used and affected by the organisation in its business activities. Traditional business decision making would have focused on the financial aspects – tangible assets and liabilities. But increasingly value creation has relied on intangible factors such as intellectual, human, social and relationships and, of course, we are all more aware now of the importance of considering continuing access to essential natural resources.

The IIRC recognises six distinct but interrelated capitals: financial, manufactured, natural, human, intellectual and social and relationship.

Organisations most commonly report on the financial and manufactured capitals. <IR> takes a broader view by also considering intellectual, social and relationships, and human capitals (all of which are linked to the activities of people) and natural capitals (which provides the environment in which the other capitals exist).

This is the essence of <IR> – it promotes due consideration of:

- the impact of an organisation's activities across the six capitals, and
- decision making that recognises the necessary trade-offs, both between the different forms of capital and over time.

Financial capital

The pool of funds that is:

- available to an organisation for use in the production of goods or the provision of services
- obtained through financing, such as debt, equity or grants, or generated through operations or investments.

Manufactured capital

Manufactured physical objects (as distinct from natural physical objects) that are available to an organisation for use in:

- the production of goods or the provision of services, including:
  - buildings
  - equipment
  - infrastructure (such as roads, ports, bridges, and waste and water treatment plants).
- Manufactured capital is often created by other organisations, but includes assets manufactured by the reporting organisation when they are retained for its own use.

Intellectual capital

Organisational, knowledge-based intangibles, including:

- intellectual property, such as patents, copyrights, software, rights, and licences
- "organisational capital" such as tacit knowledge, systems, procedures and protocols
- intangibles associated with the brand and reputation that an organisation has developed.

Human capital

People's competencies, capabilities and experience, and their motivations to innovate, including their:

- alignment with and support of an organisation's governance framework, risk management approach, and ethical values
- ability to understand, develop and implement an organisation's strategy
- loyalties and motivations for improving processes, goods and services, including their ability to lead, manage and collaborate.

Social and relationship capital

The institutions and the relationships within and between communities, groups of stakeholders and other networks, and the ability to share information to enhance individual and collective well-being. Social and relationship capital includes:

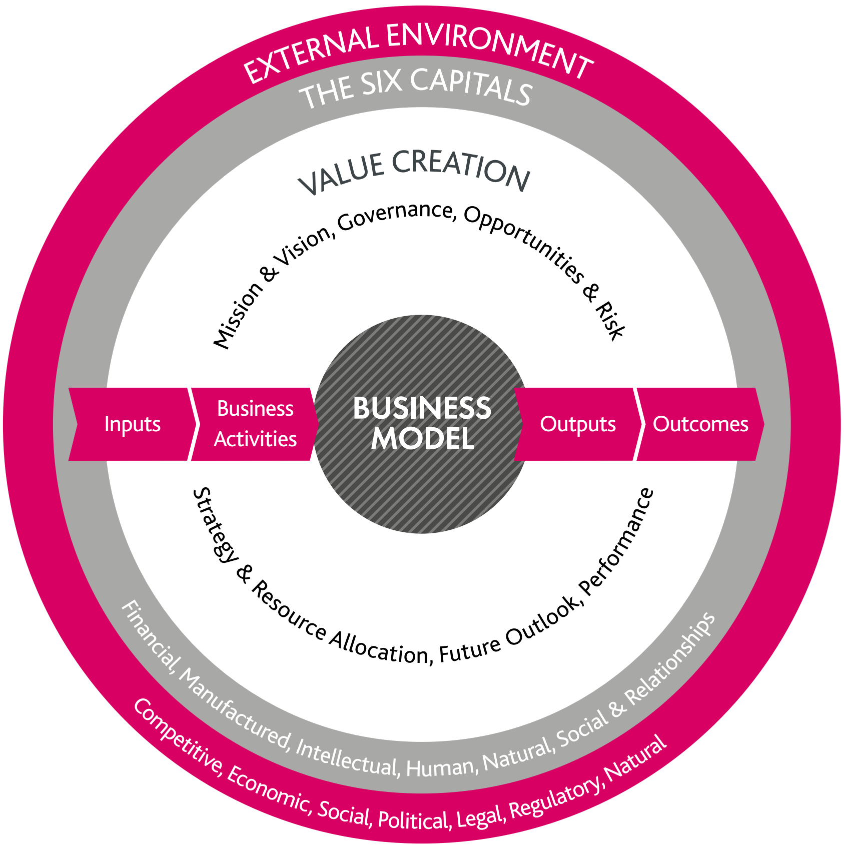
- shared norms, common values and behaviours
- key stakeholder relationships, and the trust and willingness to engage that an organisation has developed and strives to build and protect with customers, suppliers, business partners, and other external stakeholders
- an organisation's social licence to operate.

Natural capital

All renewable and non-renewable environmental resources and processes that provide goods or services that support the past, current or future prosperity of an organisation. It includes:

- air, water, land, minerals and forests
- biodiversity and eco-system health.

FIGURE 1: THE BUSINESS MODEL, SITTING AT THE HEART OF THE ORGANISATION, WITHIN THE CONTEXT OF THE EXTERNAL ENVIRONMENT



Fundamental concept – The Value Creation Process

This diagram brings together all of the elements to be considered when preparing an integrated report as <IR> aims to provide insight about the following:

- The external environment that affects an organisation
- The resources and relationships used and affected by the organisation, which are referred to in the Framework as the capitals
- How the organisation interacts with the external environment and the capitals to create value over the short, medium and long term.

All of the elements of an organisation are depicted. The mission and vision encompassing the whole organisation sets out its purpose. Those charged with governance are responsible for creating an appropriate oversight structure within which the various elements are in dynamic flux.

Continuous monitoring and analysis of the external environment in the context of the organisation's mission and vision identifies opportunities and risks relevant to the organisation. The organisation's strategy identifies how it intends to maximise opportunities and mitigate or mange risks. Its sets out strategic objectives and strategies to achieve them, which are implemented through resource allocation plans.

At the heart of the organisation is the business model which is the vehicle through which it creates value. The organisation needs information about its performance, which involves setting up measurement and monitoring systems to provide information for decision making.

The system is not static; regular review of each element and its interactions with other elements, and a focus on the organisation's future outlook, lead to revision and refinement to improve all the elements.

This representation applies to both public and private sector organisations. The emphasis on different elements may be different but are still relevant to a profit or not for profit scenario.

The Business Model

A thorough understanding of the business model of an organisation – how it creates, preserves and captures value – is fundamental to effective decision making.

Inputs
All organisations use a range of resources and relationships as key inputs into their business model.

Business Activities
At the core of the business model is the conversion of inputs into outputs through business activities. These activities may include the planning, design and manufacture of products or the deployment of specialised skills and knowledge in the provision of services.

Outputs
An organisation's key products and services as well as other outputs such as by-products, waste and emissions.

Outcomes
Defined as the internal and external consequences (positive and negative) as a result of an organisation's business activities and outputs. Identifying and describing outcomes, particularly external outcomes, requires organisations to consider the capitals more broadly than those that are owned or controlled by the organisation.

The <IR> Framework document also sets out guiding principles and content elements to assist those preparing an integrated report including:

- **Connectivity of information:** An integrated report should demonstrate how the combination, inter-relatedness and dependencies between components that are material to the organisation's ability help to create value over time.
- **Conciseness:** The aim is for conciseness of communication – covering all of the relevant factors but without the 'fog' of unnecessary disclosure focussing on factors that are material to the success of the organisation over time
- **Forward-looking:** <IR> emphasises the need to look forward not just to the long term but also the short and medium term.

WHY IS <IR> RELEVANT TO THE PUBLIC SECTOR?

Although initially developed with corporate users in mind, the emphasis of <IR> on value beyond profit has many benefits for public sector organisations. Unlike traditional corporate reporting, this more flexible approach enables organisations to focus clearly on how they and their stakeholders define value in the short, medium and long term.

> *"Public value is about the impact of the product created on society and environment to create the right conditions for the 21st century"*
>
> Mervyn King, Chairman, IIRC

<IR> drives integrated thinking, which promotes a better understanding of the impact of decisions on the value creation process, taking into account the broad range of factors relevant to that process, not just short-term financial considerations. This emphasis encourages better decision making, greater transparency and a longer-term perspective, all of which are crucial to the sustainability of public services.

A 2014 IIRC survey[1] of public and private sector organisations using <IR> found the key benefits to be as follows:

- Breakthroughs in value creation
- Improving what is measured
- Improving management information and decision making
- A new approach to stakeholder relations
- Connecting departments and broadening perspectives

When 'value creation' is also considered in a non-financial context, these benefits are equally applicable to the public and private sectors.

Alongside international organisations such as the World Bank Group and the United Nations Development Programme, <IR> has been adopted by many public sector organisations in the UK, including the City of London Corporation, the Welsh Government, the Crown Estate and government departments. This represents a new shift in UK public sector reporting, which itself has changed significantly since the millennium.

Central government departments in the UK planned and reported their expenditure on a cash basis until the late 1990s. Since resource accounting and budgeting was introduced in the 1999-2000 financial year, all departments have produced audited GAAP-compliant resource accounts on an accruals basis.

While the introduction of accruals accounting and budgeting has led to significant improvements in financial management and external accountability, there have been indications that departments could make further improvements to annual reporting in order to improve user accessibility, particularly in the area of reporting financial and non-financial performance.

The introduction of Whole of Government Accounts (WGA) in 2009/10, an IFRS-based approach which consolidates the audited accounts of around 5,400 public sector organisations, and the Clear Line of Sight (CLOS) reforms in 2011/12 which aligned and simplified the financial reporting of plans, estimates and expenditure outturns had a significant positive impact on the usefulness of financial reporting for decision-making purposes, yet issues still remained around the way in which non-financial performance was reported.

In April 2013 HM Treasury (HMT) launched the Simplifying and Streamlining Accounts project, aiming to improve the presentation of central government statutory accounts to better meet the needs of users. Key findings highlighted that user needs were not being met by the current reporting arrangements, in particular that it was difficult to link the performance narrative to the figures in the accounts.

As a result, HMT proposed high level recommendations for a restructuring of the traditional 'front-half' annual report and 'back-half' financial statements into three, more integrated reporting requirements based upon:

- Performance – "telling the story"
- Accountability; and
- Financial statements

Growing demand for more user-friendly accounting information which combines financial and non-financial performance to support better decision making means that public sector organisations need to rethink the way that they present their accounts. Adopting <IR>, which incorporates non-financial information, KPIs and financial data, can help organisations address these challenges and gain greater understanding of the way in which they create value. Yet it is important to recognise that adoption of <IR> is not an overnight process.

> *"<IR> is a journey and it will take more than one reporting cycle to get there."*
>
> Paul Druckman, CEO, IIRC

<IR> AT THE DEPARTMENT FOR BUSINESS, INNOVATION AND SKILLS

The Department for Business, Innovation & Skills (BIS) is the UK's department for economic growth. Working with over forty agencies and public bodies, BIS invests in skills and education to promote trade, boost innovation and help people to start and grow a business. BIS also protects consumers and reduces the impact of regulation.

Being responsible for the regulations determining the reporting framework that other organisations follow, BIS recognised the importance of doing what they ask of others. Under the leadership of Director General, Finance & Commercial Howard Orme, the then Director of Finance David Allen[2] and subsequently Charu Gorasia, all forward thinkers and CIMA members who had recognised the potential of <IR> within the public sector, the 2013-14 BIS annual report followed <IR> principles.

To ensure that the BIS Annual Report and Accounts provided insight for the user, BIS moved away from the traditional requirements-driven approach where the front and back halves of the report are only loosely related. This represented a significant shift towards using the numbers in the back to tell the value creation story in the front. To enable this, key areas of resource allocation were identified (advice giving and policymaking, service organisations such as the Student Loans Company, and system frameworks), all of which ultimately result in increased value to the UK.

The 2013-14 integrated annual report, led by the planning and performance team, had focused mainly on the performance narrative of BIS, aiming to give a clear explanation of the organisation's overall purpose and assessing impact on value, rather than listing achievements. In addition the wider impact of policies on other key responsibilities like sustainability, equality and diversity were also included in a more rounded assessment of performance.

Following these initial steps the following year key changes were led by the consolidation team, focused on streamlining the accounts and using stewardship of the data to build trust. Adopting this new approach brought with it new challenges and opportunities. BIS had struggled with report timing in the past, largely due to reliance on Excel-based processes. However, the implementation of a new Enterprise Performance Management (EPM) system during 2013 brought significant improvements, with the increased process speed and better stewardship of data ultimately enabling better integration of back end numbers to the front end of the report.

The EPM system brought many other benefits; data management, collection and sharing were much improved and reconciliations were less resource intensive, having previously taken up to three days. However, the system is viewed by its users not as a solution but as an enabler which helps teams across the organisation develop better integrated thinking, identify new opportunities and support decision making.

Freeing up this time allowed BIS to focus on information that is relevant. BIS focused on streamlining the accounts significantly, for example the complex financial assets disclosures, which included the student loan note, were revisited and focused on key assets and risks. Accounting policies were halved from 20 pages to 10 and consideration given to what was a material asset or liability that the users needed to know about. Clarity and accessibility was greatly improved through the challenging of 'notes without narrative', but even with these additions the accounts were reduced by around fifty pages overall. The ambition for next year's report is to slim down both the front and the back end further through better alignment between strategic objectives, groups and delivery.

Progress by BIS was recognised when the BIS 2014-15 annual report won the 'Excellence in Reporting in the Public Sector' category at the 2015 PWC Building Public Trust Awards. Awarded jointly by PWC and the National Audit Office, this recognises outstanding public sector reporting, with a particular focus on trust, transparency and innovation.

Underpinning our assessment of excellence in reporting is the concept of innovation – organisations who lead the way with a fresh approach to meeting the needs of Parliament, the public and other key stakeholders. We are also mindful of the FRC's focus on "Clear and Concise" reporting and will look to organisations trying to provide transparency and clarity to their reporting. Our award continues to give credit to those making real inroads in adopting these concepts and leading the way in driving fresh thinking and innovation. Transparent and insightful reporting is not necessarily about more information but about de-cluttering existing structures, taking a fresh approach to traditional disclosures.[3]

2015 PWC Building Public Trust Awards Judging Panel

The BIS report impressed the judges for several reasons; its use of strategic themes to link together the narrative and provide a clear picture of priorities, activities and performance; its description of the contribution made by partner organisations to overall performance, and its treatment of risk and governance.

"It's very clear on KPIs, and takes an integrated approach with easily-understandable tables on actions completed and overdue."

"A complicated business well-explained."

2015 PWC Building Public Trust Awards Judging Panel

In winning the award BIS recognised the external professional support they had received from institutes, particularly CIMA on narrative reporting, from advisers including PWC, and from the National Audit Office who, while remaining proper, challenging and independent, provided outstanding partnership and encouragement on pushing forward the <IR> agenda.

Far from resting on their laurels, the BIS team recognise that <IR> is a process rather than an outcome. The 2014-15 review is clear and accessible to all users and provides a clear line of sight between strategy, activity and performance, but is considered by the team to be only the first stage.

Building upon the stronger relationship which has developed between the financial reporting team and their colleagues across the finance function, BIS are now able to use improved data and reporting to support decision making and drive change across the organisation.

<IR> IN THE PUBLIC SECTOR CASE STUDIES

The following examples of public sector organisations that have adopted <IR> demonstrate the variety of size, specialism and location that these new reporting principles are relevant for. All of the examples are public sector entities, which have been successfully reporting using the <IR> Framework for a number of years.

Fasset, South Africa

Fasset is the South African Finance and Accounting Services Sector Education and Training Authority. It was set up in 2000 with the following aims:

- To increase the flow of new finance and accountancy entrants into employment
- To develop and grow the skills required in the sector
- To facilitate transformation of the finance and accountancy sector

Fasset is a pioneer in South Africa in the field of <IR> within the public sector. Although, it is a requirement that all entities listed on the Johannesburg Stock Exchange produce an Integrated Report, Fasset, as a public entity, is not required to. Fasset, as a custodian of public funds, recognises that it needs to account fully how it spends its allocated income and adds value to levy-payers, non-levy payers and society at large. Fasset subscribes to the highest standards of governance and transparency and has voluntarily opted to produce an Annual Integrated Report to reflect its financial and non-financial performance.

Following encouragement from the South African National Treasury to adopt <IR> by providing disclosure guidelines on non-financial information for the public sector, Fasset embarked on their <IR> journey in 2011. Its 2013/14 Annual Report was awarded the best integrated report in the public sector in the Chartered Secretaries Southern Africa and Johannesburg Stock Exchange Annual Integrated Reporting Awards.

<IR> enables Fasset to provide insights into its strategy and comprehensive disclosure about risks, opportunities and governance. Fasset believes that one of the key strengths of <IR> is that it compels organisations to report the good and the bad in an open and balanced way. By providing full disclosure on their performance and impact and the challenges they face and the things that 'went wrong' organisations are able to provide a credible account of their performance and achievements. Recognising issues and challenges 'face on' allows them to be addressed early to the benefit of the reporting entity.

Since embarking on its <IR> journey, Fasset believes that it is more transparent and accountable and more focussed on its performance. Fasset would like <IR> to become the reporting standard for all public sector entities.

www.fasset.org.za – Report available at bit.ly/1IWPn5g

Rosatom, Russian Federation

Rosatom is the Russian Federation national nuclear corporation bringing together circa 400 nuclear companies and R&D institutions that operate in the civilian and defence sectors. The corporation provides comprehensive nuclear services that range from uranium enrichment to nuclear waste treatment.

Rosatom's intention is to be recognised as an organisation that is widely accepted in the world market of nuclear technologies. Recognising the growing responsibility of its private sector counterparts towards a broad range of stakeholders, Rosatom decided to adopt an industry-wide public reporting system based on internationally recognised corporate reporting norms – <IR>.

Not only do integrated reports enable a clearer understanding of the dependence between financial and non-financial aspects of a company's activities but Rosatom believes it allows management to be more efficient in selecting priorities in combination with business objectives and public needs.

Rosatom has identified the main benefits of <IR> from its point of view:

- The integrated report allows the organisation to demonstrate the quality of its management
- The preparation of the integrated report provides managers with the information and insight that aid complex decision making on performance.

www.rosatom.ru – Report available at bit.ly/1SPQMQP

NZ Post Group, New Zealand

New Zealand Post Group consists of a range of businesses providing communication and business solutions. The Group's mail business, New Zealand Post, delivers just under 700 million items a year to around 1.94 million delivery points. It provides postal, parcel and bill payment services through a nationwide physical store network, processing more than 19 million financial transactions a year. The Group operates as a State-owned Enterprise within a deregulated postal market facing private sector competition.

The Group started using the <IR> Framework in its 2013 annual report, recognising that to be successful it needed to value all of the capitals that it uses. This approach is seen to both strengthen the Group's strategic thinking and the way plans are executed. The Group's 2014 report is divided into six capitals:

- Relationships
- Networks
- Expertise
- People
- Environment
- Finances

Each section describes what the capital is to the Group, and the activities undertaken through the year that have affected the value of that capital. As a state-owned enterprise the Group's primary stakeholder is its shareholder, the Crown. It requires NZ post to operate on a commercial basis and return a dividend as well as being a good employer and take into account the interests of the community. <IR> provides the framework for the group to demonstrate commitment and delivery against these objectives as well as supporting ongoing business transformation and integration through the removal of silos.

Benefits of <IR> as articulated by NZ Post include:

- Highlighting the interconnections across the business
- Providing a simplified, coherent view of the business
- Improving the understanding of the value of non-financial assets
- Facilitating a longer term view of the business
- A stronger focus on material issues
- Renewed emphasis on stakeholder engagement
- Greater internal ownership of the report
- And even, a shorter more accessible report

www.nzpost.co.nz – Report available at bit.ly/1QgVHw6

NHS Greenwich Clinical Commissioning Group (GCCG), UK

GCCG is made up of all the GP practices across the borough of Greenwich, London. It is responsible for commissioning hospital, community, and mental health services for the local population and is tasked with securing the best possible healthcare services for people in Greenwich, specifically in community settings and in hospitals as necessary.

Its 2013/14 annual report was the first UK National Health Service (NHS) organisation Integrated Report. The report details how the organisation developed its strategy and agreed clinical priorities. The report also describes governance structures, performance and prospects, in the context of the external environment, leading to the creation of value in the short, medium and long term. The GCCG believes that understanding the external environment helps them to make the best commissioning decisions and improvements in the quality and performance of service provision for the local community.

The 2013/14 report clearly sets out how the GCCG is governed and managed aiming to demonstrate to a wide range of stakeholders why they should have confidence in what the GCCG is doing. The report sets out the guiding principles used by the GCCG within the overall NHS philosophy when commissioning services and determining its priorities. The business model representation sets out the key inputs and activities focussed on providing outcomes targeted on the stated priorities.

www.greenwichccg.nhs.uk – Report available at bit.ly/1RGj69T

Maritime and Port Authority of Singapore, Singapore

The Maritime and Port Authority of Singapore (MPA) is the driving force behind Singapore's port and maritime development. Its mission is to develop Singapore as a global hub port and International Maritime Centre (IMC), and to advance and safeguard Singapore's strategic maritime interests. The port and maritime sector is a sizeable contributor to the Singapore economy, providing 170,000 jobs and accounting for 7% of Singapore's total gross domestic product in 2014.

MPA was established as a statutory board under the Ministry of Transport (MOT) in 1996. The formation of MPA brought together functions that were previously performed by the National Maritime Board, Marine Department and regulatory departments of the former Port of Singapore Authority. As such MPA takes on the roles of port authority, port regulator, port planner, IMC champion, and national maritime representative. The authority works closely with industry partners and other agencies to enhance safety, security and environmental protection in port waters, facilitate port operations and growth, expand the cluster of maritime ancillary services, and promote maritime R&D and manpower development.

The MPA has embarked on a journey in <IR> emphasising that connectivity and long-termism resonates with the perspectives that underpin its work. <IR> is seen not only as a tool to improve external reporting, but also to promote cohesive, streamlined and integrated thinking within the organisation.

The Authority started by ensuring the Board and senior management understood and supported the need for <IR> initially focussing integrating environmental and social reporting. The Authority's materiality assessment was guided by the Global Reporting Initiative and IIRC guidelines. The description of the business model connects capitals and activities to outcomes and material issues.

www.mpa.gov.sg – Report available at bit.ly/1Nk67Fv

Auditor-General of South Africa (AGSA)

AGSA's role is to audit and report on the accounts, financial statements and financial management of South African national and provincial state departments and administrations, municipalities and any other institution or accounting entity required to be audited by AGSA by legislation.

AGSA published its first integrated report in 2012 firmly believing that <IR> helps it remain focused on the imperative of long-term sustainable value creation for its carious stakeholders. As well as providing an effective framework for their annual account of performance against predetermined objectives and targets, AGSA's adoption of <IR> was driven by a desire to 'lead by example'.

The 2014 report itself clearly sets out the operating context for AGSA and identifies the top risks that it faces in each category. As one might expect from this organisation, assurance is taken very seriously. The report sets out in some detail the parameters of the limited assurance engagement undertaken identifying the key performance indicators and reporting boundary subject to review.

www.agsa.co.za – Report available at bit.ly/1QgVJnW

The Crown Estate, UK

The UK Crown Estate is a semi-independent, incorporated public body which manages an extensive property portfolio on behalf of the UK Government which benefits from the annual net income generated.

2012 marked the start of a journey for the UK Crown Estate towards a new vision of integrating sustainability across their business. Subsequent annual reports have:

- Outlined the business model and identified the material issues that impact performance (2013 report)
- Looked more deeply at markets and improved understanding of the resources and relationships that sustain the business and contribute to success (2014 report)
- Focused on developing robust measurement indicators and exploring the broader impact of what the organisation does and how it can inspire change (2015 report).

Looking forward the organisation intends to demonstrate how conscious commercialism can lead to positive impact for the Crown Estate, its partners, customers and other stakeholders. The Crown Estate has developed an innovative Total Contribution statement that aims to measure this wide-ranging positive impact. Measurement techniques are evolving and the Crown Estate are committed to continue to explore how to improve its Total Contribution reporting.

www.thecrownestate.co.uk – Report available at bit.ly/1OjOENl

HOW CAN YOUR ORGANISATION GET ON BOARD?

In his article 'The stepping stones towards more forward looking corporate reporting'[4], Paul Druckman, CEO of the IIRC suggests...

Step One

Conduct a stakeholder mapping exercise. This allows you to understand your principal stakeholders, who they are, their expectations of your organisation today and their future expectations. Are your stakeholders' needs reflected in your strategy and business model? Are your stakeholders highlighting any risks or opportunities to be managed or exploited? To what extent does your strategy or business model need to be amended to reflect these expectations?

Step Two

In light of the views of your principal stakeholders, and potential changes to your strategy and business model, now is the time to consider the resources required to implement these changes. Ask yourselves, are the different parts of your organisation talking to each other to achieve the delivery of a coherent strategy across the organisation? What more can you do as directors to break down silos to enable a better articulation and execution of your strategy?

Step Three

Communicate your strategy clearly and concisely. How it is responding to changes in your operating environment or stakeholder needs and expectations, to enhance stability and build a clearer understanding about how your business model is creating value through the use of multiple resources and relationships – such as your people, their ideas, natural resources, the communities in which you operate.

By undertaking these three steps, the organisation will be preparing itself for future risks and opportunities; it will be more resilient in the face of challenges; and be in a better position to articulate its strategy and key decisions to stakeholders. Employees will better understand their role and purpose, driving up morale and contributing to higher productivity and performance. At the same time the organisation will be better placed to engage with its funders, contributing to greater long-term decision making and behaviour.

FURTHER INFORMATION AND RESOURCES

The IIRC provide a range of resources including the <IR> framework, and a database of case studies to help organisations understand and adopt <IR>, and organisations may also choose to join the Public Sector Pioneer Network. Visit www.integratedreporting.org

CIMA resources include a guide and toolkit, survey findings and reports. Visit www.cimaglobal.com/Integratedreporting

CIMA have been producing integrated annual reports since 2012. See our third report at www.cimaglobal.com/2014annualreport

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ACKNOWLEDGEMENTS

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FOOTNOTES

1. Realizing the Benefits: The impact of Integrated Reporting
2. now Director of Public Spending & Deputy Head of Government Finance at HM Treasury
3. http://www.pwc.co.uk/building-public-trust-awards/excellence-reporting-in-public-sector-2015.html
4. http://integratedreporting.org/news/the-stepping-stones-towards-more-forward-looking-corporate-reporting-2/

To access further resources visit:
www.cimaglobal.com

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