

CA Sri Lanka President Arjuna Herath says 'cautious' implementation of integrated reporting

Written by Piyoshila

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Amidst intensifying competition and the need for long term sustainability amongst corporates, the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) is giving leadership to the implementation of concepts of the internationally mooted integrated reporting which is currently at pilot stage amongst many countries across the world.



President of CA Sri Lanka, Arjuna Herath declared that while the concept was 'very valuable' as it focuses in depth on sustainability, generating capital and wealth of a corporate's long term, Sri Lanka is cautious in embracing the concept outright and CA Sri Lanka is facilitating the adoption of the best of the guidelines as deem fit for the corporate environment in Sri Lanka.

"There are countries gradually moving into integrated reporting, Sri Lanka is cautious as we don't want to jump into a new concept just because there are other countries looking at adopting this. We will develop home grown guidelines that suites best our environment," he told students and academics at the IDeA Night 2014, organised by the Department of Accountancy of the University of Kelaniya.

Mr. Herath who was the keynote speaker at this internship felicitation ceremony emphasized, CA Sri Lanka in its capacity as the national body of accountants and the sole authority to promulgate accounting and auditing standards of the country was doing its independent research to determine as to the extent the integrated reporting concept can add value to Sri

Lankan corporates, and the implications of adopting the concepts ingrained in Integrated Reporting.

“Therefore we are gradually introducing the concept among the Sri Lankan corporates and as a first step towards this, we included the most appropriate elements in integrated reporting criteria in our annual report awards competition last year, which recognized the best corporate reports produced in the country,” he noted.

Mr. Herath disclosed that a separate segment focusing primarily on integrated reporting will be added in this year’s annual reports competition, to promote the concept and support companies which have already fully embraced integrated reporting.

“In Sri Lanka, we don’t have many companies which follow the integrated reporting concept. However there are a few companies producing integrated reports, and as these companies believe integrated reporting is of value, we want them to embrace it and we will recognize them for it. We will not make it mandatory for corporates to produce integrated reports and force it on them, but if they independently find the mechanism valuable, we will encourage and recognize their efforts,” he added.

Herath noted that CA Sri Lanka will be using the guidelines issued by the International Integrated Reporting Council (IIRC) to draft its own localized criteria in implementing the integrated reporting concept. He also said that CA Sri Lanka will continue to create awareness on the concept by way of conducting seminars, and through publications.

“There is no doubt that this is a very valuable concept as it focuses in depth on long term sustainability of a corporate. Therefore we will be actively involved in spearheading this initiative, and we will encourage people to look at integrated reporting very seriously,” he noted, adding that integrated reporting will also be included in the new curriculum of CA Sri Lanka which will be launched shortly. “The new curriculum which will be launched shortly will be revolutionary and will consist of a multitude of important areas, to create more effective partners in business and true catalysts in the progression of the country,” he added.

IIRC is currently running a pilot programme with 100 companies from across the world, including Sri Lanka who are experimenting with the integrated reporting concept to ascertain if

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the mechanism is feasible and will be acceptable by the investing community and all other stakeholders, and make changes to the concept if required.

The mortality rate of corporates is far lesser than that of a human being's life span, with the average age of a corporate body being around 40 years, while according to research, by the year 2000, one third of companies which existed two decades before the new millennium, failed to exist by the year 2000.

"New companies that get started, collapse often as soon as in ten years, while there are some instances where companies even exist for as long as 400 to 700 years, so it is obvious that there is something wrong in relation to sustainability of corporates," he disclosed.

"We are hoping that the concept of integrated reporting may direct us to find a solution to this problem as Integrated reporting focuses on the organizational strategy, governance and prospects, in the context of its external environment, leading to the creation of value over the short, medium, and long term, helping companies to focuses on sustainability and generating capital including financial capital, human capital and intellectual capital," He added.

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