

AccountancyAge

IASB: Auditors fail to see reports as models of communication

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AUDITORS, REGULATORS and preparers of financial statements have been criticised for seeing annual reports as a compliance exercise rather than a means of communication.

The International Accounting Standards Board ([IASB](#)) made the findings following a survey of preparers and users of financial statements from Africa, Asia, Europe and North America.

The survey found that more needs to be done to change the way the profession sees financial disclosure in annual reports and a joint effort is needed to tackle those

problems.

Other findings show that nearly all preparers thought the requirements were too extensive and lead to disclosure overload. However, the conveying of relevant information needs to be better communicated, rather than leaving users to sift through large amounts of data.

The [ICAEW's](#) head of financial services faculty Dr Nigel Sleigh-Johnson said: "Finding the balance between too much financial disclosure and too little will be highly challenging, as users of financial reports have different needs.

"So-called disclosure overload will not be resolved unless it is tackled together by all the bodies that impose disclosure requirements. That way it may be possible to reduce duplication and unnecessary complexity.

"A good starting point would be to reach a better understanding of the objective of annual reports and on who they are intended for. It is unrealistic to expect the needs of all users to be met in full by a single set of disclosures. Key information should be easily accessible to less sophisticated users, while users who want much more extensive information should have access to what they need. This may require radical restructuring of disclosures and how they are presented."

The survey, which had 225 responses, found more could be done to enhance accounting standards currently set-out and improvements could be made to the entire annual report not just the financial statements.

IASB chairman Hans Hoogervorst (pictured) said: "That feedback indicated a need for standard-setters, auditors, preparers, regulators and investors to work together in order to deliver much-needed improvements to all disclosures, not just those contained within the financial statements.

"Our discussion forum on disclosures next week is the first step on that journey."

The IASB is coordinating a discussion forum on 'Disclosures in Financial Reporting' in London on 28 London which open to the public to attend. A live webcast and a recording will be posted on the IASB's site the next day.

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