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| |  |  |  | | --- | --- | --- | | News release | | | | Contact: | Gleb Kostarev | 24 March 2016 | | | Company: | EY | | | | Tel: | + 7 (495) 755 9700 | | | | Email: | [Gleb.Kostarev@ru.ey.com](mailto:Gleb.Kostarev@ru.ey.com) | | | |

**CFOs concerned about effectiveness of corporate reporting**

*LONDON, MOSCOW, 24 MARCH 2016*. CFOs are losing confidence in corporate reporting and its effectiveness, as pressure from audit committees, the complexity of implementing new reporting requirements and reporting overload affect performance, according to the annual survey by EY’s Financial Accounting and Advisory Services (FAAS), *Are you prepared for corporate reporting’s perfect storm?*

In the global survey of 1,000 CFOs across 25 countries in organizations with revenue greater than US$500m, CFOs’ confidence across all aspects of corporate reporting has fallen compared to last year. Only 55% are confident in the degree of compliance, compared with 84% last year. Also declining is the consistency in the application of key performance indicators, at 44%, compared to 66% in 2014; less than half (45%) feel confident in the clarity and relevance of messages, down from 67% in 2014.

CFOs’ view of the effectiveness of the cost of corporate reporting has fallen significantly year-on-year, at 39%, compared to 68% in 2014. Just 48% said that their reporting was effective in securing the confidence of the board, a significant drop from 71% last year. Yet a third of CFOs (32%) agree that meeting the needs of the audit committee and supervisory boards is the most critical factor in driving the importance of effective reporting. External reporting fares no better, with only 43% of CFOs saying that their reporting is effective in meeting the expectations of those outside their organization.

Peter Wollmert, EY Global and EMEIA FAAS Leader, says:

“Corporate reporting needs to be all things to all people — relevant, timely and cost effective. CFOs need to step back and evaluate what they are producing and address concerns over confidence and effectiveness quickly. To delay means that the timeliness and accuracy of reporting will continue to affect performance. Corporate reporting will only serve its intended purpose if the CFO is confident of its value.”

Responding to reporting complexity

As reporting must meet increasingly rigorous standards and cover more areas, from corporate social responsibility reporting to management intelligence, demand for information is also on the rise, with 71% saying there has been an increase in the number of reports issued, with some of this increase due to new regulatory requirements such as the forthcoming EU directive on non-financial reporting.

For CFOs, the key challenges of today’s reporting environment are the complexity of the regulatory environment (58%), the volume and pace of big data (55%), and the complexity of local and international compliance requirements (53%).

Maxim Savostianov, EY CIS Financial Accounting and Advisory Services Leader, says: "Russian respondents, like those in other countries around the world, note that the reporting process is becoming increasingly complicated, due in part to the proliferation of types and standards of reporting, diversification of products (services) and the numerous different systems used to collect accounting data and prepare reports. At the same time, the number of jurisdictions, legal entities and business units in Russian companies is well below the global average."

With CFOs seeing innovative technology and big data as critical factors of success, 82% expect to increase investment in reporting technologies over the next two years, with 20% planning to increase technology investment in reporting technologies by 20%.

Maxim Savostianov comments: "The survey findings show that Russian companies plan to do more than just increase their IT investments. A large number of respondents (45%) say that updating IT systems is their highest priority among initiatives to improve reporting quality, citing a lack of integration between various systems (58%) and outdated IT systems (50%). A system update means more than simply replacing one product with another that is more up to date. To obtain the maximum effect from investments in accounting and reporting systems, an integrated and internally consistent data model must be created: a unified methodology for generating primary data, a minimal number of data entry points to prevent duplication in accounting for financial and nonfinancial data, optimized management of reference data, etc. In practice, this involves developing an integrated system-update program and setting up a project office to coordinate change management."

Boards and audit committees increase CFO scrutiny

CFOs are also feeling the ripple effect of increased scrutiny being placed on audit committees and supervisory boards. Eighty-four percent of respondents say that audit committees and boards have increased their overall attention on reporting in the past three years, with 34% saying that the attention has increased significantly.

A third (32%) of CFOs say that the relationship they have with their audit committees is clearly a factor in how frequently they are asked for information. Forty-three percent of CFOs who have a strong relationship with the audit committee are more likely to say that members want more frequent reports. This drops to 25% for those with a poor relationship.

Data analytics is becoming increasingly popular among CFOs to support the requirements of audit committees and boards, with 34% making good progress and 34% making more limited use of analytics. Of those using analytics, the top three priorities are more sophisticated information management storage solutions (61%), more use of automation in data capture and generation (57%) and investing in advanced analysis and data mining tools (51%).

Wollmert says: “Audit committees are under the spotlight for how they carry out their responsibilities, and CFOs are in turn under pressure to provide more and more information. Yet it’s important that it doesn’t become a situation of reporting overload. CFOs must turn volumes of data into reporting insight, which means having the right strategy, processes and skills in place.”

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|  | EY’s Are you prepared for corporate reporting’s perfect storm? Country highlights (%) | | | | | | | | | |
| Global | Russia | Brazil | China | Germany | India | Singapore | South Africa | UK | US |
| Increase in number of reports requested | 71 | 63 | 80 | 68 | 68 | 60 | 80 | 63 | 58 | 28 |
| Increase in attention by audit committee | 84 | 73 | 90 | 85 | 73 | 88 | 95 | 73 | 63 | 60 |
| Increase in request for reporting by audit committee | 43 | 28 | 75 | 40 | 43 | 43 | 43 | 55 | 23 | 43 |
| Expect increase in investment in reporting technology | 82 | 80 | 85 | 90 | 93 | 100 | 90 | 80 | 93 | 93 |
| Confidence in degree of compliance of reporting | 55 | 53 | 78 | 65 | 65 | 45 | 83 | 63 | 60 | 75 |
| Reporting is effective to secure confidence of the board | 48 | 55 | 70 | 73 | 68 | 40 | 70 | 45 | 55 | 45 |

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**About the survey**

Are you prepared for corporate reporting’s perfect storm? surveyed 1,000 CFOs or heads of reporting of large organizations to understand the challenges they face in corporate reporting. Over 60% of the organizations were in excess of US$5billion a year in revenues, with 21% in excess of US$20 billion. Respondents were split across the Americas; Asia-Pacific; Europe, Middle East, India and Africa (EMEIA); and Japan, and covered 14 main industry sectors. The survey was supplemented by in-depth interviews with the following CFOs and heads of reporting organizations, as well as EY subject-matter professionals.