

Reporting as a source for assessing the achievements of the CSR in the conditions of digitalization: improving the organization of the presentation

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Abstract

The current trend towards building a system of sustainable socio-economic, environmental, institutional development of society affects all areas of enterprise reporting. The article is devoted to solving the problem of increasing the transparency and quality of information in the report on payments to the state, as well as simplifying the process of its formation and presentation. The following research methods are used in the work: bibliographic analysis, comparative analysis, synthesis, generalization. An assessment was made of the possibility of cross-referencing financial statements prepared under the XBRL IFRS Taxonomy when preparing a report on payments to the state by enterprises engaged in the extractive industries and enterprises engaged in logging. With the help of a comparative analysis, it was proved that in order to report on payments to the state by enterprises in a single electronic format, it is necessary to develop additional industry-specific extensions to IFRS XBRL.

Keywords: sustainability reporting; CSR; digitalization; EU directive requirements; information and analytical support; standardization; assessment; Directive 2013/34/EU.

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1. Introduction

Responsible use of natural resources is one of the key tasks facing the governments of the world in the context of achieving the Sustainable Development Goals (hereinafter referred to as SDGs), in particular, SDG 12 «Responsible consumption and production», SDG 13 «Climate change mitigation», SDG 15 «Protection of Terrestrial Ecosystems». One of the key elements of information support for monitoring the efficiency of the use of natural resources is a report on payments to the state, in accordance with Art. 1 of the Law of Ukraine «On Accounting and Financial Reporting in Ukraine» No. 996–XIV (16.07.1999), contains «generalized information on the activities of business entities operating in the extractive industries or logging, as well as detailed information on taxes and fees, other payments made or payable in favor of the state».

Monitoring and evaluation of the effectiveness of the use of natural resources of an enterprise should be based on a high-quality information base. In this context, building on existing best practices, it should be noted that the introduction of an electronic reporting format is a tool to enhance the quality and transparency of reporting data. The corresponding situation is also typical for other types of reporting by enterprises (in particular, reporting on sustainable development).

2. Literature review

In modern scientific literature in the field of accounting and corporate reporting, the issues of the influence of digitalization on the development of information support for managerial decision-making are quite closely considered. In particular, questions are raised about the use of XBRL technologies for compiling and reporting on sustainable development (Mousa, Ozili, 2023; Faccia, Manni and Capitanio, 2021).

At the same time, a lot of attention has been paid to individual authors on the formation of an electronic format for reporting by enterprises in the context of total digitalization of all spheres of the socio-economic life of society (Beerdau, 2022, Fradeani, 2022).

A significant part of the research of scientists is aimed at studying and highlighting national features of the implementation and use of the electronic reporting format and modernizing its content (Abhishek and Hibban, 2022; Kucheriava, 2022a, 2022b; Oliinyk, Semenyshena, Boyarova and Grishchenko, 2022; Nazarova, Bondarenko, 2022; Petrassi, 2020; Ottesen, 2022, Barna, Eugenia, Ionescu, and Feleaga, 2021; Babic and Stenbakken, 2022).

At the same time, the issue of improving the methodological approaches for reporting on payments to the state in electronic format in the context of achieving CSS 12, 13, 15 remains insufficiently covered.

3. The identification of previously unresolved issues and the formulation of research hypotheses

The problem associated with the clarification of the circumstances that led to this investigation is the importance of transparency and quality of information in the report on payments to the state, as well as simplification of the process of its formation and submission. The hypothesis of the study suggested the need to develop additional branch extensions to the Taxonomy of the UA IFRS XBRL in order to provide information on payments for state correspondence by enterprises in a single electronic format.

The purpose of the research is to present a hypothesis through a report on the possibility of cross-referencing articles of financial tweets compiled according to the UA IFRS XBRL taxonomy, upon the preparation of a report on payments to the state by enterprises engaged in the footwear industry and enterprises engaged in wood harvesting.

4. Research methodology and methods

The problem associated with clarifying the circumstances aimed at this study is to increase the transparency and quality of information in the report on payments to the state, as well as to simplify the process of its formation and submission.

The hypothesis of the study puts forward the need to expose payments to state correspondence by enterprises in a single electronic format, and it is necessary to develop additional branch extensions to the UA Taxonomy of IFRS XBRL.

The purpose of the study is to present a hypothesis through a report on the possibility of cross-referencing the articles of financial tweets compiled according to the IFRS XBRL taxonomy, upon the preparation of a report on payments to the state by enterprises engaged in the footwear industry of wood harvesting enterprises.

5. Main results

Reports on payments to the state in accordance with Art. 5 of the Law of Ukraine «On Ensuring Transparency in the Extractive Industries» No. 2545–VIII (September 18, 2018), enterprises post on their website and in the electronic reporting and analysis system.

According to the Decree of the Cabinet of Ministers of Ukraine dated September 23, 2020 No. 858 «Some Issues of Ensuring Transparency in the Extractive Industries», which approves the forms of the report on payments to the state and the consolidated report on payments to the state of enterprises engaged in the extractive industries, this reporting form contains data that can be classified as non-financial information:

- information on the average number of employees who worked during the reporting year (including women, female top managers, female middle managers, etc.);

- participation in social projects and programs (including a description of a social project, program; the total amount of payments under the program, project).

Table 1 provides information on the possibility of cross-referencing financial statements prepared under the XBRL IFRS Taxonomy when preparing a report on payments to the state by enterprises engaged in the extractive industries.

Table 1

Correlation of indicators of the report on payments to the state of enterprises engaged in the extractive industries with the reports of enterprises prepared in accordance with the XBRL IFRS Taxonomy

State Payments Report Section	Cross-reference to Taxonomy articles UA IFRS XBRL	Relationship with enterprise reports and information sources
I. General data	Average number of employees	Data can be disclosed by cross-references to other forms of financial and non-financial reporting (management report (track 5) Social aspects and personnel policy; management comments (d) key performance indicators)
II. List of individual types of project activities	Disclosure of information about employees [text block]	Information can be disclosed by cross-reference to the relevant articles of other reporting forms: management report (track 5) Social aspects and personnel policy; management comments (d) key performance indicators; financial reporting (expenses on charitable contributions and subsidies)
III. Production volumes in the reporting period by type of relevant project activity	Number and average number of employees [abstract type]	The main source of information is accounting and operational accounting data at the enterprise
IV. Main characteristics of individual types of project activities	Amount of workers	Internal data of the enterprise, information of executive authorities
V. Payments to the state in the reporting period	–	The main source of information is accounting and operational accounting data at the enterprise
VI. Separate annexes to the report on payments to the state	–	Company internal information

Source: compiled by the authors

The analysis performed showed that most of the indicators of the statement of payments to the state of enterprises engaged in the extractive industries cannot be disclosed in electronic format by cross-reference to financial statements in accordance with the XBRL IFRS Taxonomy.

Individual report metrics may not be fully disclosed by cross-reference to the financial statements in accordance with XBRL UA Taxonomy. For example, indicators:

- average number of employees employed during the reporting period is cross-referenced to the following elements of XBRL UA Taxonomy: «average number of employees; disclosure of information about employees [text block]; number and average number of employees [abstract type]; amount of workers»;
- participation in social projects and programs is cross-referenced to the following elements of XBRL UA Taxonomy: «charitable contributions and grants». Also, information may be disclosed by cross-reference to reports prepared in electronic format (management report in the «Social aspects and personnel policy» direction; management comments in the «Key performance indicators» direction).

At the same time, taking into account the legally fixed option for certain types of enterprises to submit a report on payments to the state through an electronic reporting and analysis system, it is advisable to form a separate industry extension within the electronic format for submitting a report called «Report on payments to the state of enterprises engaged in extractive industries» and the inclusion of a complete list of elements required to disclose the indicators of the form of the corresponding report.

A report on payments to the state is also submitted by enterprises that carry out timber harvesting and are of public interest. Order of the Ministry of Finance of Ukraine No. 499 (hereinafter – Order No. 499) (August 13, 2020) approved the form of a report on payments to the state of enterprises engaged in timber harvesting and the procedure for compiling a report on payments to the state of enterprises engaged in timber harvesting. Order No. 499 (clause 6) determines that «the report is compiled in electronic form in XML format and submitted to the authorities in whose jurisdiction the enterprises belong, to the owners (founders) in accordance with the constituent documents». The analysis performed showed that the form of the Statement of Payments to the Government of Public Interest Timber Enterprises cannot be fully compiled in electronic format by cross-reference to line items in the XBRL UA Taxonomy UA Taxonomy. The explanation for this may be that general purpose financial reporting forms do not provide for such a level of detail of taxes (general and local levels) and rent payments, incl. rent for the special use of forest resources (Table 2).

Table 2

Correlation of indicators of the report on payments to the state of enterprises engaged in logging with reports of enterprises compiled in accordance with the XBRL IFRS Taxonomy

Indicator Cross-reference to articles Taxonomy UA IFRS XBRL	Indicator Cross-reference to articles Taxonomy UA IFRS XBRL
Income Tax:	Income tax disclosure [text block]; Income taxes paid (returned); Income taxes paid (returned) [abstract type]; Income taxes paid (refunded), classified as financial activities; Income taxes paid (refunded), classified as investment activity; Income taxes paid (refunded), classified as operating activities; Income taxes paid, classified as operating activities
- accrued to the state budget	–
- paid to the state budget	–
<i>Part of the net profit withdrawn to the budget:</i>	–
- accrued to the state budget	–
- paid to the state budget	–
<i>Total rent:</i>	–
- accrued to local budgets	–
- paid to local budgets	–
<i>Rent payment for special use of forest resources in terms of:</i>	–
1) wood harvested in the order of final fellings:	–
- accrued to local budgets	–
- paid to local budgets	–
2) wood harvested during other activities:	–
- accrued to local budgets	–
- paid to local budgets	–
environmental tax	–
- accrued to the state budget	–
- paid to the state budget	–
- accrued to local budgets	–
- paid to local budgets	–
<i>Dividends:</i>	–
- accrued to the state budget	–
- paid to the state budget	–
- accrued to local budgets	–
- paid to local budgets	–
<i>Fees and other payments:</i>	–
- accrued to the state budget	–
- paid to the state budget	–
- accrued to local budgets	–
- paid to local budgets	–

However, the XBRL IFRS Taxonomy contains separate elements related to the display of income tax information.

Therefore, based on the provision of Order No. 499 regarding the preparation of a report in electronic form in XML format, it is advisable to develop a separate industry-specific extension of IFRS XBRL – «Report on payments to the state of enterprises engaged in timber harvesting» and include in it a complete list of elements required to disclose the indicators of this report, which proves the hypothesis of the study.

The results of the analysis of the possibility of compiling non-financial reporting of enterprises based on a cross-reference to the reporting articles of enterprises compiled according to Taxonomy UA IFRS XBRL showed that the use of an electronic format for submitting a report on payments to the state and a consolidated report on payments to the state (enterprises engaged in timber harvesting) ; enterprises engaged in the extractive industries) makes it advisable to develop appropriate industry-specific extensions of the XBRL UA Taxonomy, in particular, it is advisable to develop a separate industry-specific extension of the XBRL UA Taxonomy – Statement of Payments to the Government and include the full list of this report in it.

6. Concluding remarks

The analysis carried out in the study led to the conclusion that there is a need to disclose additional items of non-financial reporting in Ukraine in XBRL format, which can be implemented through the introduction of additions in the context of extensions to the XBRL UA Taxonomy UA. Proposals for additions to the UA IFRS XBRL Taxonomy are realistic. The use of an electronic format for submitting a report on payments to the state and a consolidated report on payments to governments (enterprises engaged in logging; enterprises engaged in the extractive industries) makes it advisable to develop appropriate industry-specific extensions of the XBRL UA Taxonomy UA.

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