“Non-financial reporting of companies and the necessity of its confirmation by auditors in Ukraine”

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NON-FINANCIAL REPORTING OF COMPANIES AND THE NECESSITY OF ITS CONFIRMATION BY AUDITORS IN UKRAINE

Abstract

The relevance of the study is caused by the fact that the non-financial reporting of business entities and the intensification of process of globalization are becoming nowadays an important source of information for making managerial decisions by different groups of stakeholders. The process of its implementation, definition of types, forms and content remains legally unregulated for Ukraine. A process of its audit requires a systemic solution and an appropriate independent audit opinion.

The purpose of the article is to summarize the European and international experience in the field of regulation of drawing up and publication of non-financial reporting, to work out problems of its content definition and to provide proposals for the regulation of these issues in Ukraine, to define the recommended groups of indicators, and to ground the main directions and tasks of their audit.

It is proposed to create a general concept for the implementation and development of non-financial reporting in Ukraine, which may require the adoption of the future Law of Ukraine "On Public Non-Financial Reporting", national standards for its preparation, and relevant methodological recommendations for their implementation. The directions of development of theoretical, organizational and methodical issues of audit of non-financial reporting are provided.

A number of valid normative acts of the Audit Chamber of Ukraine in terms of the regulation of audit of non-financial reporting and improvement of professional qualifications of specialists require clarification and accompaniments.

Keywords audit, non-financial reporting, social responsibility, indicators, standards, control procedures, audit report

JEL Classification M14, M40

INTRODUCTION

The information needs of business and society in general (both in Ukraine and in the world) in conditions of globalization of the economy can no longer be satisfied only on the basis of the data contained in the financial statements. At the same time, economic entities are interested to inform the public of their social initiatives, corporate responsibility and other achievements that require a special format of presentation for formation of high rating, reputation and investment attractiveness. Currently, different groups of stakeholders are interested in the characteristics of economic activity, which are reflected with a significant set of non-financial indicators grouped according to certain types of non-financial reporting on the social, ecological and economic aspects of the business entities activities. The peculiarity of such non-financial reporting as far as their types, content, format and set of indicators choosing is a decision by the enterprise/company it-

self (as a rule, by a large corporation, though recently small and medium enterprises have been joining to this process) and lack of clear legal regulation in Ukraine. An important problem is the auditors' confirmation of the reliability and completeness of non-financial reporting in order to meet the information needs of their wide range of users at making managerial decisions.

1. THEORETICAL BASIS

Currently, a number of foreign and domestic authors are examining the essence, content, format of non-financial reporting, their types, methods of preparation and certain aspects of control (Blakyta & Poliak, 2015; Botsian, 2014; Lazorenko, Kolyshko et al., 2008; Atamas, 2017), analytical researches are being conducted (Ernst & Young, 2011) and official documents are being adopted ("UN General Assembly Resolution", n.d.; "Directive 2014/95/EU", 2014; "EU Directive on disclosure", n.d.).

Mynhardt et al. (2017) stated that nowadays the main problems of non-financial reporting are insufficient comparability of reporting, accuracy (lack of materiality, reliability and validity of indicators), lack of common approaches for its verification.

Makarenko (2017) investigated the challenges and prospects of public companies non-financial reporting and audit in Ukraine.

Zhuravka (2017) studied problem aspects of transformation in financial reporting of business entities in Ukraine, highlighted the shortcomings of the national accounting system's reform and ways of optimizing the process of IFRS implementation in Ukraine.

The detailed analysis of sources of information provides grounds to state that non-financial reporting can be directed at different levels of management and user groups: 1) mega-level: for non-governmental organizations and the world community; 2) macro-level: for local authorities and the state; 3) meco-level: for consumers, creditors and investors, public organizations, individual social groups of society; 4) micro-level: for company employees, management, shareholders, business partners, trade unions.

In practice, non-financial reporting includes such their types, which in some sense can be considered synonyms: "socially responsible reporting", "social and environmental/ecological reporting", "reporting on sustainable development", "reporting on progress", "social reporting", "corporate responsibility reporting", "environmental/ecological reporting", "non-financial reporting" (Blakyta & Poliak, 2015, pp. 126-127).

This reporting is not strictly regulated, although its requirements at the international level are determined by separate special standards. In particular, the "reporting on progress" is regulated by the UN Global Compact; "reporting on the Global Reporting Initiative" is drawn in accordance with the Global Reporting Initiative (GRI) and Sustainable Development Reporting Guidance of the Global Reporting Initiative; "social reporting" is defined by Standard AA 1000 (Account Ability 1000); "integrated sustainability reporting" is drawn up according to the initiative by the Prince of Wales (but there is no single standard) (Botsian, 2014); "integrated reporting" is defined by the International Integrated Reporting Council (IIRC); "environmental/ecological reporting" is coordinated by the Climate Disclosure Standards Board (CDSB); other reporting is of free-format reporting – there are no special standards, but in most cases, corporations can be guided by the requirements of the International Standard ISO 26000:2010 "Guidelines for Social Responsibility". A particular importance for the disclosure and content of the non-financial reporting of companies are in the provisions of the resolution "The transformation of our world: An Agenda for Sustainable Development for the period up to 2030" adopted by the UN General Assembly on September 25, 2015 and that defines 17 goals and 169 tasks, solution of which is aimed at balancing of all the three components of sustainable development worldwide (economic, social and environmental) in the next 15 years ("UN General Assembly Resolution", n.d.).

Such a variety of approaches to the interpretation and standardization/regulation of non-financial reporting requires an in-depth study of these issues and identification of ways for their development and improvement.

The purpose of this research is to determine the state of the legislative regulation of non-financial reporting drawing up in European and international practice, to process and summarize its content and structure based on the examples of the actual reporting of companies, to provide proposals for the regulation of these issues in Ukraine, to define recommended groups of indicators to be indicated in non-financial reporting, as well as to substantiate the main directions and objects of their audit, indicating the corresponding tasks and control procedures.

2. RESULTS

In most European countries (for example, UK, Sweden, France, Denmark, Spain), as well as in China, Brazil and other countries, the statutorily regulated issues are non-financial reporting, drawn up by companies, on environmental and social issues, and fighting against corruption. Preparing of such reports in Ukraine is a voluntary initiative of enterprises. Therefore, the actual issue is an adoption of similar legislative acts in our country.

In particular, in Ukraine, for drawing up of similar non-financial reporting (which usually operate on international or European markets, or are leaders of domestic business), the companies are guided by their own estimations, consultations with the interested parties (shareholders, employees, clients, investors, suppliers, creditors, public and state organizations, trade unions), as well as by results of study of foreign experience and analysis of competitor's reports for previous periods.

As far as the standards of non-financial reporting is concerned, in Ukraine there is no regulation of its composition, structure, content, procedure of preparation, audit (confirmation by the auditor) and disclosure. At the same time, non-financial reporting is important both for the economic operators (of various forms of ownership, including public ones) and for various groups of external users. Therefore, this issue requires the rapidest standardization in our state. Based on the study of foreign experience and international standards, taking into account the expectations of society, the requirements of public organizations, state institutions, regulators of various categories (including for the purpose of formation of a civilized domestic securities market based on their free circulation through stock exchanges), it is necessary to create a package of legislative and statutory instruments that would regulate issues of drawing up and disclosure of non-financial reporting in Ukraine both obligatory (for a certain circle of economic operators in accordance with particular criteria) and voluntary. Such legal provisions shall be attributed to the regulations in the field of accounting and reporting, provisions in the field of occupational safety, environmental safety, professional and business ethics. In view of the European integration vector of Ukraine's development, in addition to the above-mentioned international standards in the field of non-financial reporting, the provisions of Directive 2014/95/EU on the disclosure of non-financial and diversity information by certain large undertakings and groups ("Directive 2014/95/EU on disclosure of non-financial and diversity information") "Directive 2014/95/EU", 2014), which came into force on December 6, 2014, published in the Official Journal of the European Union on November 15, 2015. By its very nature, the Directive 2014/95/EU amends Directive 2013/34/EU on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings ("EU Directive on disclosure", n.d.). For EU countries, the mandatory implementation of provisions of Directive 2014/95/EU starts from January 1, 2017 or lasts during 2017 for all large enterprises of general public interest and employing over 500 employees. According to Article 1 of this Directive, enterprises are required to display information on environmental and social aspects, employment issues, human dignity, fight against corruption and bribery in their management reports; at the same time, the non-financial reports shall disclose the operating business model, risks related to the issues mentioned in the management reports and risk management measures, the policies and their implications for such activities, including the results of the Due Diligence process. In general, Ukraine needs to work out at the state level a separate document defining a general Concept for the introduction and development of non-financial reporting, for implementation of which the Law of Ukraine "On Public Non-Financial Reporting", the National Standards for its (non-financial re-

porting) drawing up, as well as the relevant methodological recommendations for their implementation may be adopted in the future.

Social reporting, which is one of the variety of non-financial reporting, plays a special role for state and business structures (to create their attractive image, reliable reputation, attract new investors, strength the trust of business partners and society as a whole). More and more domestic companies (taking into account the best foreign experience) are preparing annual social reports. Let's dwell on this kind of non-financial reporting in more detail.

In conditions of economy globalization and aggravation of crisis phenomena, there is a need to combine efforts of the state, business and society to ensure the conditions for compliance with social responsibility, stabilization of economic development at different levels of management. The first initiative in solving this problem was the UN Global Compact, initiated by the United Nations Secretary General in 1999 during the World Economic Forum. It was suggested to global business leaders, together with UN agencies, labor and public organizations, to join the Global Compact to support and implement ten universal principles in the areas of human rights, labor standards, environmental protection and fight against corruption. Companies that have joined this document must comply with the principles set out therein, implement them in their usual activities, be socially responsible, take certain actions, and submit relevant work reports (progress reports or social reports). Today, the UN Global Compact has more than 13,000 participants worldwide (more than 185 countries).

The Ernst & Young study showed that more than two thirds of companies listed by Fortune Global 500 have issued non-financial reporting in the form of a Sustainability Report or Corporate Social Responsibility Report (Ernst & Young, 2011).

In 2017, it turned 10 years of an availability and operation of the UN Global Compact Network in Ukraine. Due to the initiative of business entities, more than 200 signatories of the Compact were registered in Ukraine, and their number is constantly changing, amongst other things, because individual enterprises are excluded from the Global Compact. Thus, due to a failure to submit their reports for two consecutive years in 2013, four Ukrainian companies were excluded from the Global Compact the Greenco corporate group, "Comfi-Trade", Shipbuilding Plant "Zaliv", Fiolent Plant; and in 2014, Ukrainian companies such as Venko Prykerchenska Ltd., Verdani Ltd, Oranta, Iaros, VD Group, Lexcom Media Ukraine, and LLC Drilling Company RUDIS were excluded. Currently, in Ukraine, only about 44 companies have the status of active participants of Global Compact, including Obolon Corporation, Foxtrot Group, Metinvest Group, DTEK, etc.

A confirmation of awareness at the global and national level of the importance of solving the problem of social responsibility of business should be the elaboration of the National Strategy of Corporate Social Responsibility in Ukraine, which is developed by a large working group. This is important for business, society and, among other things, will help determine the need for and procedure for companies to submit social reporting.

According to KPMG analysis data, more than 75% of companies publishing their non-financial reports are first of all focused on economic gains, as these reports make it possible to make its brand more valuable by disclosing information about the intangible value of the business, including aspects such as reputation, loyalty consumers, reliability, intellectual capital, innovation (Lazorenko, Kolyshko et al., 2008, p. 41).

It should be noted that on the basis of examination of the content of non-financial reporting, it is appropriate to distinguish a set of its common characteristics, namely the reflection of non-financial information in the form of qualitative and quantitative indicators in relation to various spheres of the enterprise's activity, and especially an impact on the environment, social and ecological aspects of development of an enterprise.

As a rule, the company in its non-financial reporting presents in more detail the data on its own policies: a) the policy of decent work and human resource development (safety and health protection, implementation of the right to labor, assessment and remuneration of employees, incentives and

motivation, gender equality, corporate training, career policy, flexibility in work); b) environmental policy (environmental pollution, environmental performance, participation in environmental initiatives, use of information technologies to reduce emissions into the atmosphere, waste-free production); c) economic activity and production (brand portfolio, innovation and technology, management system, clients and business partners), means the strategy of execution of concluded contracts and after-sales obligations, warranty service, principles of dialogue with business partners, response to complaints; d) the policy regarding the local community (including participation in educational projects, occupational training, assistance in implementing the local initiatives, sponsorship projects, charity, free consultation of ATO participants, etc.); e) the cooperation with associations and public organizations; and f) the policy of other aspects of activity – corporate values and ethics, anti-corruption measures, including advisory assistance to domestic business on ensuring transparency of management and taxation, business development and promotion of foreign investments in Ukraine, cooperation with domestic higher education institutions, implementation of anti-corruption activities. In the same manner, the reports may include descriptions of interesting stories from the life of employees, examples from a company's practice (participation in exhibitions, master classes, sports events), expert activities from partners, startups, educational and social projects with universities, results of employee surveys, reviews of previous reports. In particular, such conclusions can be made on the basis of the analysis of non-financial reports of such companies as "Nexia DK", KPMG, "Obolon" (Nexia DK, 2016; KMPG, 2016; Obolon, 2015).

An important factor in raising the investment image, attractiveness of the company (both public and private) is the content, informativeness and reliability of its corporate annual reports. Recently, the British Financial Reporting Council (FRC) has improved the requirements for drawing up and disclosure of information in such reports, which would ensure their proper initial investment assessment and improve understanding and cooperation opportunities with existing business partners (including discounts, deferral of payments, credits, attraction for implementation of new investment projects). In this way, it is expedient for companies to disclose their business model in their annual corporate reports. According to a survey conducted by FRC, based on a survey of 19 companies of different scales (which are part of the British investment community), investors are most interested in drivers of income and profits, company structure, key markets and market segments, competitive advantages, quantitative indicators of important elements of the business model, and possible directions of its development, etc. Many investors want to know about direct threats to business and the company's market share. Some of them expect information about culture and corporate values, investment plans, and various profitability ratios to be disclosed (Atamas, 2017). According to the respondents, the information on description of the business model should be up to 3 pages in the form of text material, graphs, calculations and individual indicators.

Here are examples of individual groups of indicators that companies often include into their non-financial reporting (based on the use of the results of a survey conducted by Ernst & Young in 2010): 1) economic indicators, such as the direct economic value created and distributed; fulfillment of obligations of the organization in accordance with the pension plan having regard to established privileges; the development and impact of investment on infrastructure and services provided primarily for the benefit of the public through commercial, natural or charitable activities; the ratio of the standard salary to the entry-level and the salary in the organization; 2) ecological indicators: the energy saved as a result of actions to reduce energy consumption and improve energy efficiency; the part and total volume of water that is repeatedly and returnable used; the full direct and indirect greenhouse gas emissions; the total expenditures and investments in environmental protection with the details of the type; 3) the effectiveness of approaches to the organization of operation and decent work: the total number of manpower upon a breakdown by type of employment, employment contract and regions; the existing programs for education, training, counseling, risk prevention and control to help employees, their family members and people suffering from serious illness; the appraisal skills and life skills development programs designed to support the workforce, as well as to

support them at the end of their careers; 4) human rights performance: the total number of cases of discrimination and actions taken; activities with a high risk of using child labor and actions taken to eliminate child labor; the percentage and total number of significant investment agreements that include the provisions on the observance of human rights; 5) effectiveness of interaction with society: the nature, scope and effectiveness of any programs and practices that assess the impact of an organization's activities on the community and those who manage this influence, taking into account the beginning of activities, their implementation and completion; 6) product liability effects: lifecycle stages in which the impact on health and safety of products and services is assessed to identify opportunities for improvement and the share of important products and services that are subject to such procedures.

The essential aspect that should not be left out is the relationship between financial and non-financial reports of the company and the comparability of their indicators. This aspect becomes even more important due to the fact that the Law of Ukraine "On Financial Accounting and Financial Reporting in Ukraine" as amended defines the "management report means a document containing financial and non-financial information that characterizes the state and prospects development of the enterprise and reveals the main risks and uncertainties of its activity" (the Law of Ukraine "On Financial Accounting and Financial Reporting in Ukraine", 2018). Therefore, in assessing this report, the auditor shall, among other things, verify the comparability and consistency of the various types of information.

The abovementioned diversity of information in the company's non-financial reporting confirms the need of its regulation on the basis of non-strict standardization and the determination of a set of basic key universal indicators and types of information required to be reflected therein, including considering the need for comparability of different companies according to these indicators. Other data may be included in the reporting in the format and volumes determined by the enterprise itself and its industry features. The disclosure of non-financial reporting (through its printing, placement on the site of reporting companies), as well as the accumulation of the information base of such reporting at the national level, require clarification.

The following problem that needs to be solved after adjustment of the terms of drawing up and disclosure procedure of non-financial reporting is to establish control (internal and external) over their quality and reliability. First of all, such a control should be organized by the company itself at the level of its own internal control system, the activity of the service of internal auditors. The main internal control procedures are appropriate to focus on complying with regulations (including intercorporate) regarding the non-financial reporting drawing up, on mechanisms for formation and processing, storage of non-financial data, risk management and assessment of the effectiveness of measures taken to ensure conditions for the proper drawing up of non-financial information and its formalization. At the present stage of development of digital technologies, companies need more than software products, spreadsheets, to draw up their non-financial reporting. The latest web technologies, the digitization of this process require the widespread implementation. It will ensure the quality of data preparation, will significantly reduce the complexity and costs of a corporation for such a process of reporting. At the same time, for internal control, there is a need to assess the adequacy of a software choice and its effectiveness, the adequacy of personnel qualifications, the availability of passwords, as well as testing the ability to detect by means of the electronic system of errors in information, etc.

The second type of non-financial reporting control is independent external control and confirmation. It can be public and professional.

The public assessment of non-financial reporting can be carried out on the initiative of a third party (government agencies, exchanges, international and national structures and organizations, analysts) to draw ratings, indexes (for example, the Dow Jones Sustainable Development Indices (DJSI), Bloomberg ESG Disclosure Scores, Morgan Stanley Capital International (MSCI) ESG research and indices, series of indices FTSE4Good and NASDAQ OMX CRD Global Sustainability 50 Index, etc.); companies' ratings per a certain

segment of activity (corporate responsibility, sustainable development, environmental/ecological issues, etc.); recognition of winners in competitions, various nominations, awarding prizes and honors.

Non-financial reporting, including on corporate social responsibility, becomes valuable, more trustworthy for users if they are evaluated and certified/confirmed by a professional independent auditor.

An audit should be organized on the basis of the need to confirm that non-financial reporting shall be reliable, "timely and understandable for a wide range of users, and should be balanced, that is, reflect both the positive and the negative aspects of sustainable development of a company" (Ernst & Young, 2011, p. 11).

The requirements of the AA1000 Accountability Audit standard, which applies to all aspects of information disclosure and business activity, contributes to the organization of reporting on sustainable development through ensuring of non-financial accounting quality, audit and reporting, should be observed. This standard provides the following requirements for information in social reporting: completeness, timeliness, reliability and relevance regarding the company's activities and sensitivity to the requests of interested users. The AA1000 standard provides that the reports must necessarily reflect information about the attitude of the company management to the expectations and rights of different groups of users.

All of these aspects are the subject of audit of social and other types of non-financial reporting. In the process of audit, the numerical data (quantitative and cost indicators) and the management's statements on the issues covered therein should be confirmed.

Non-financial reporting has a wide range of users seeking quality and credible information. An independent audit shall carry out a socially responsible mission on its verification and confirmation. However, the issue of legislative regulation of the audit of non-financial reporting (determination of the cases of its obligation) and regulation of its methodological and organizational support remain still unsolved in Ukraine. Prior to the adoption of special regulations on these issues, auditors should be guided by the provisions of International Standards 3000-3699 "Assurance engagements that are not audit or review of historical financial information" as part of the International Standards on Quality Control, Audit, Review, and other assurance and related services.

In order an auditor could properly audit the non-financial reporting, it is necessary to define a set of criteria for its assessment. Being guided by requirements of International Standards of tasks for assurance, these criteria shall meet the following characteristics: relevance, completeness, reliability, neutrality and comprehensiveness, and be available to interested users of reporting. Developers of criteria for assessing the non-financial reporting may be state authorized bodies, public organizations, funds, independent experts, academics, etc.

An important issue is the formation of a group of auditors who will perform the audit of non-financial reporting. We agree with the statement that "such group shall be composed not only of financial auditors, but also of experts in strategic management, personnel management, certified environmentalists, lawyers, certified social responsibility auditors, analysts and other professionals ..., intellectual property and intellectual capital valuators" (Baryshnikova, 2016, p. 140; International Federation of Accountants, Audit Chamber of Ukraine, 2016).

Research of the requirements of international standards and initiatives on non-financial reporting and directly disclosed reporting on sustainable development of a set of corporations in terms of their structure, content and principles of drawing up provide the basis for determining the main directions and tasks of the audit of non-financial reporting.

Among the most important areas of such audit, it is worth to pay attention to the following, under which an auditor should plan and execute control procedures:

- general strategy for company's development and management;

- social aspects of a business entity;
- labor relations and human rights;
- environmental impacts on the environment and related measures;
- interaction with partners, society, honest business practices;
- economic indicators and results;
- anti-corruption measures.

In the process of non-financial information audit, a set of the following general tasks should be addressed in a complex manner:

- identification of interested users of non-financial reporting, their interests, principles and levels of interaction of a reporting enterprise/company with them (there are five levels of interaction with a business entity: consultation, agreements, training, cooperation, and authorization);
- assessment of compliance of the drawn-up reporting with the requirements of the standards;
- audit of completeness and accuracy of information display, its meaning (essentiality) for users in order to obtain the adequate understanding of a business entity;
- assessment of compliance of a business entity with managerial, accounting, contractual, tax and other policies (on notification, conflict of interest, corruption, financial support of employees, etc.) selected at an enterprise/a company;
- testing the reliability of the accounting and internal control systems of an enterprise/a company;
- control over compliance with the norms established by society;
- assessment of honesty of relations with society, business partners (clients, creditors and others);
- assessment of ways of responses to stakeholders' requests and policy responses to these requests, available resources to meet society's requests or those of individual stakeholder groups;
- control over efficiency of an enterprise/company's investments in the social sphere;
- finding out the availability of technologies promoting preservation or restoration of the environment;
- to get convinced of the availability and effectiveness of anti-corruption measures;
- assessment of corporate management, its effectiveness, including risk management system and an enterprise/company's development strategies;
- audit of the main business processes of an enterprise/company and their display in the sustainability development reporting;
- testing the reliability of information technology and special software products used by an enterprise/company;
- assessment of reliability of indicators of financial stability of a company as a whole and its structural subdivisions;
- assessment of the effectiveness of management of economic, environmental and social performance;
- finding out during an assessment by an enterprise/a company of the revealed shortcomings and measures taken to eliminate them, given examples. However, the auditor should keep in mind that the standard "does not require that a business entity clearly and consistently respond to requests and observations of interested parties" (International Federation of Accountants, Audit Chamber of Ukraine, 2016, p. 134);
- to get convinced of comparability of analogical financial and non-financial reporting;
- assessment of the materiality of aggregate of inaccuracies revealed by the auditor and rec-

ommendations provision on necessary corrections in the reporting;

- drawing up of the audit report (conclusion) on the audited non-financial reporting, indicating the type of opinion on the quality and adequacy of reporting;

- development of recommendations for non-financial reporting drawing up in the future.

The abovementioned list of areas and tasks of the audit of non-financial reporting is not comprehensive and may be supplemented and changed in view of characteristics' features and activities of the corporation submitting its reporting for audit.

The results of an independent audit of the non-financial reporting should be summarized in an official document – a report on audit.

International Standard on Auditing 700 "Forming an Opinion and Reporting on Financial Statements" defines the auditor's responsibility for expressing his/her views on audited reporting, as well as the types and contents of the auditor's reports. Let's pay attention to the following important requirements of ISA 700: "The auditor's opinion covers supporting information that is an integral part of financial reporting either because of its nature or its presentation. The evaluation of this is a matter of professional opinion" (International Federation of Accountants, Audit Chamber of Ukraine, 2016, p. 1034). It means that an auditor should pay due attention to the qualitative characteristics of the financial statements that cannot always be measured by financial indicators, and also if the financial statements contain other elements not provided by standard regulatory requirements (separate components, explanations, disclosures, appendices (including of non-financial character) and this information cannot be clearly separated in the financial statements, the auditor shall include it in the scope of the audit and express an opinion on it in an independent report.

ISA 720 "The Auditor's Responsibility to Other Information" also refers to the need for an auditor to confirm other additional information, supporting data or indicators (possibly non-financial ones) that are not included in the scope of financial statements. "Other information" means financial or non-financial information (except for the financial statements and the auditor's report on it), which is included in the annual report of an entity (International Federation of Accountants, Audit Chamber of Ukraine, 2016, p. 1131). For example, according to the list in Annex 1 to ISA 720, it may include the following information: information on liquidity and capital resources, warranty and contractual obligations, sums of legal or environmental claims, financial indicators or coefficients, explanations on significant accounting judgments and related assessments, identification of related parties and description of transactions with them, general description of the business environment and prospects of activity, a review of the strategy, descriptions of market prices trends for basic goods or raw materials, etc.

In 2016, the Securities and Exchange Commission (SEC) approved a new format for auditors' report, previously proposed by the Public Company Accounting Oversight Board (PCAOB) (PCAOB, 2016). Considering it, American auditors need to disclose in their reports for investors, audit customers and a wide range of users the critical observations, which had to be taken into account during the audit, and which include the facts related to the audit of the financial statements for the current period, which had been reported (or should be reported) to the audit commissions and which: relate to accounts or disclosures that are material to the financial statements; revealed significant risks; issues on which an advice had been received outside the audit team, including experts; a nature and the period of unusual operations carried out by the client, and foresee particularly difficult, complex, subjective or complex audit opinions, uncertainty of estimations.

The updated format of the auditor's report should also include information on the duration of the auditor's cooperation with the company, indicating the specific year when he or she commenced his duties; statement of compliance with the principle of independence of an auditor. Disclosure of such information will be appropriate in the reports of Ukrainian auditors.

There is a lack of experienced professionals in the field of audit of non-financial reporting in Ukraine

(such audits are usually carried out by the auditors of the Great Four (G4) or other auditing firms, sometimes by individual experts (both state and non-state institutions)).

3. DISCUSSION

The abovementioned shows that the solution of issues related to legislative regulation of drawing up, disclosure and audit of non-financial reporting in Ukraine is urgent.

A combination of internal and external (independent) control of quality and reliability of non-financial reporting on the basis of standardization of groups of its indicators, directions and procedures of audit, definition of wordings for audit opinion, is important.

In order to recognize the importance, significance and necessity of audit of non-financial reporting in Ukraine, an appropriate supplement is required for section 1 of "List of services that auditors can provide (auditing firms)", approved on December 22, 2011, by the decision of the Audit Chamber of Ukraine No 244/14 (with subsequent amendments and additions). Currently, the abovementioned list does not contain the possibility for national auditors to perform assurance tasks in the form of "audit of non-financial reporting".

In our opinion, given the fundamentally new direction of the work of auditors, there is a need for highly skilled professionals who are able to provide a qualitative audit of non-financial reporting. Therefore, the training of specialists in the field of "audit of social responsibility" or "audit of non-financial reporting" is relevant. The beginning of the training plan implementation for such specialists can be launched by the Audit Chamber of Ukraine of the Program for the continuous improvement of auditors' skills on the relevant topics/subjects, and, subsequently, the certification of the relevant specialists in our country.

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