

## **Research Title**

**“Evaluating the Progress and Audit Challenges of Extended External Reporting (EER) in New Zealand: A Mixed-Methods Study”**

# **1. Introduction**

Extended External Reporting (EER) extends reporting from financial to broad reporting which includes financial and non-financial including environmental, social and governance (ESG) factors to provide stakeholders a holistic view of the organization performance and impact. Both the External Reporting Board (XRB) and Reporting have taken initiatives in New Zealand to realign domestic reporting with international trends (BusinessDesk, 2018; Joint Press Release, 2018; Reportingnz Project, 2018b, 2018a). The purpose of this research proposal is to evaluate the evolution of EER practices in the past years, and also determine the audit challenges faced in its implementation for supporting the XRB's strategic objectives in order to increase transparency and build an informed society.

## **2. Problem Statement**

Although globally, EER has been gaining prominence, evidence on the evolution of EER including specific audit challenges for New Zealand context is limited. However, it is in the absence of standardized frameworks and robust assurance methodologies that the auditors of such information face challenges in verifying the non-financialness and in turn paralyze stakeholders' confidence on such corporate disclosures (Venter & Krasodomska, 2024). For the XRB's strategy to lead to consistent, high quality external reporting practices, it is important to know about the degree of EER's progress and character of audit issues.

## **3. Research Objectives**

**Objective 1:** To evaluate to what extent, quality, and consistency of non-financial disclosures of New Zealand organizations have improved over past few years.

**Objective 2:** To identify and analyze the audit complexities associated with EER in New Zealand, for example, the issues of data reliability, the absence of standard reporting formats and the auditor competencies.

## **4. Research Questions**

- 1. Are New Zealand's EER reports better now than they were in the past few years?**
- 2. What are the audit issues regarding EER in New Zealand?**

## **5. Literature Review**

Extended External Reporting is a change from traditional financial reporting to a more holistic disclosure, which included ESG factors. (Reportingnz Project, 2018a, 2018b) stresses the need for an adoption of EER in order to provide a good reflection of an entity's comprehensive performance. (Reportingnz Project, 2018b, 2018a) also mentions that research on non-financial reporting is required to ensure the extent and consistency of reporting so as to keep pace with the changing expectations of stakeholders.

In recent academic literature, it is pointed out that although there is a rising trend in EER adoption, there are still some challenges. (Venter & Krasodomska, 2024) claim that the absence of an assured standard practice for reporting non-financial data has raised the risk of information misreporting. Also, studies by (Turzo et al., 2022) demonstrate that although companies are trying to enhance EER disclosure, irregularities in reporting practices impedes comparability among firms. Also, as mentioned in industry reports by (BDO New Zealand, 2017; Lindsay, 2023; Reportingnz Project, 2018b) auditors find it difficult to verify non-financial disclosures, insofar as ESG metrics are subjective, and there are no comprehensive auditing guidelines.

This study aims to provide an investigation of the progression of EER reporting and practical audit challenges faced by professionals in New Zealand.

## **6. Research Design and Methodology**

### **Research Approach:**

A mixed methods design will be utilized to combine quantitative analysis of EER reports with qualitative information from auditors in conducting this study. With the philosophy to include this broad statistical trend approach as just that, and also to gain in depth understanding of practical challenges, this approach is selected.

### **(a) Quantitative Component**

#### **(1) Data Collection:**

EER disclosures in a purposive sample of 30 companies listed on the New Zealand Stock Exchange (NZX), which have been regularly publishing EER reports during the past five years, will be content analyzed. Thirdly, the analysis would look at how disclosive is ESG in

magnitude, how clear is nonfinancial information and how does this measure up with the international reporting standards.

## **(2) Analysis Technique:**

Descriptive statistics, trend analysis, and regression analysis will be conducted on statistical methods to determine the change of reporting quality and to identify the predictors of EER practices over time.

## **(b) Qualitative Component**

### **(1) Data Collection:**

Ten experience auditors from the major accounting firms in New Zealand will be interviewed on a semi structured basis. Challenges faced in auditing EER disclosure are addressed in the interviews such as the reliability of the data, lack of standardized frameworks and better auditor competencies are being addressed.

### **(2) Analysis Technique:**

The interview transcripts will be subjected to thematic analysis that will allow the extraction of the common themes and patterns with respect to audit challenges. The combination of the qualitative and quantitative data will then produce a comprehensive picture of the EER landscape.

## **(c) Sampling**

### **(1) Quantitative Sample:**

To select a representative number of companies on the NZX list of companies that disclose EER, 30 NZX listed companies with a track-record of EER disclosure will be purposively sampled.

### **(2) Qualitative Sample:**

To collect expert insights, 10 auditors knowledgeable in direct EER assurance would be chosen through vendor and industry association networks.

## **7. Expected Outcomes**

### **For Research Question 1:**

An expected outcome of the study is to give clear trajectory in the EER reporting practices evolution, pointing out where and how much improvement has been made and where gaps are still persistent. Both qualitative and quantitative analysis will offer statistical evidence on trends and quality metrics with context to these trends.

### **For Research Question 2:**

The objective of the research is to establish reasonable audit hazards, like mismatched auditing of non-financial data, subjectivity of ESG counts, and the associated effect of strengthening regulatory standards. The results of these findings will be used to generate targeted recommendations regarding what can be done to increase the assurance process for EER disclosures.

## **8. Significance of the Study**

It will also be of interest to practitioners and regulators. Findings will be based in part on understanding the EER evolution and the audit challenge they entail, hence:

- Assist the XRB and Reporting improve guidelines and policies for EER disclosures to increase quality and reliability.
- Help auditors to build better assurance methodologies for non-financial information.
- Play a role to contribute to academic literature by bridging the current research gaps in EER and how it is practically applied in New Zealand.

In the end, encourage a more informed society such that corporate reporting is more transparent and accountable.

## **9. Conclusion**

In brief, this research proposal is an attempt to enlighten the genesis and audit challenges of an evolution of Extended External Reporting (EER) in New Zealand. The study aims to supply a complete view of how EER practices have advanced more than a while and very important issues that forestall doable assurance of non-financial information. We provide this through a mixture of quantitative content material evaluation and qualitative insights from experienced

auditors. They will provide recommendations for the External Reporting Board (XRB) and ReportingNZ that will help the South join them as places where people feel informed, and an informed society as a whole is fostered through greater transparency.

## References

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