

Bridging the Expectation Gap: Enhancing Non-Financial Reporting Assurance in Sri Lanka

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The global surge in non-financial reporting (NFR) and the corresponding adoption of external assurance practices have been significant trends in the current business world following growing concerns over global warming, climate change, carbon emission, etc. Even though the Sri Lankan companies have mirrored this emergence in NFR, there has been a decline in the number of companies seeking assurance for their reported non-financial information in recent years. Hence, this study investigates the expectation gap in NFR assurance, capitalizing on the novelty of the practice in the global context and the lack of empirical evidence on the subject matter in Sri Lanka. The study adopted a mixed-method convergent design, focusing on NFR assurance providers, reporters, and users in Sri Lanka. Data from 201 questionnaires and 14 semi-structured interviews were analyzed using descriptive statistics, t-tests, ANOVA, and thematic analysis. The findings show convergence between quantitative and qualitative analyses, highlighting knowledge, performance, and evolution gaps in NFR assurance in Sri Lanka. The evolution gap, the major contributor to the expectation gap, exists in the areas of approach and methodology advancements, clarity and consistency improvements, and regulatory framework strengthening. This gap is primarily caused by the inconsistencies in assurance procedures and limitations in assurance statements. Further, the knowledge gap stems from evolving standards, accountability issues of reporters, and literacy-related and communication hurdles. Moreover, the performance gap is mainly due to resource and priority constraints and challenges of reporting standards. Based on these findings, this study underscores significant policy implications, including the establishment of guidelines for NFR assurance, amendments to corporate governance codes, integration of related topics into professional training, and revisions to assurance standards. Furthermore, this study emphasizes managerial implications: the establishment of dedicated NFR reporting units within reporting entities and the implementation of rigorous evaluation processes by award competition organizers to ensure equitable allocation of marks for assurance processes.

Keywords: Non-Financial Reporting Assurance, Expectation Gap, Knowledge Gap, Performance Gap, Evolution Gap