

The ease of doing business in South Africa receives a boost with the launch of a digital financial reporting solution

The ease of doing business and particularly reducing the regulatory burden for businesses received a boost with the launch of Companies and Intellectual Property Commission (CIPC's) eXtensible Business Reporting Language (XBRL), a digital financial reporting solution at the Johannesburg Stock Exchange in Sandton. The system will allow companies to file annual financial statements using this mechanism and the data can be shared across the regulatory spectrum for multiple purposes. Speaking at the launch of XBRL on 12 June, the Minister of Trade and Industry, Dr Rob Davies said while there are many challenges with the fourth industrial revolution, it does offer the possibilities of improving governance.

Minister Davies was of the opinion



Minister of Trade and Industry, Dr Rob Davies, spoke at the launch of XBRL on 12 June.

that South Africa (SA) has already seen this in the work that CIPC has done to apply digital technologies to company registrations.

According to Minister Davies, the

XBRL will align the submission of annual financial statements with that of the global reporting standards for businesses. 'This system has the capacity to ensure that there is integrity in the financial reporting mechanism to different agencies in government. Furthermore, it supports greater transparency, improves the efficiency of capital markets by assisting analysts, financial and security regulators, business registrars, tax authorities and other users to access relevant facts,' Minister Davies said.

Minister Davies added that the essence of the fourth industrial revolution is about large data management and application, where technologies can be applied in various ways across all forms of production, as well as service activities.

By
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Digital financial reporting in iXBRL, a move aimed at boosting investment in South Africa



Companies and Intellectual Property Commission

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Two months ago South Africa (SA) was ranked first out of 115 countries for the transparency of its national budgeting process. It should come as a big surprise that a country on the Southern tip of Africa leads the entire world in the stakes of playing open cards with the public by allowing anyone to analyse and scrutinise its finances. This is no small feat and certainly not a once-off accolade as SA has been ranked in the top three of the Open Budget Index since 2010.

But this level of scrutiny should not only be the reserve of the public sector, especially in a country where the financial mismanagement in the private sector has also reared its ugly head of late.

This is why the introduction of digital financial reporting, called eXtensible

Business Reporting Language (XBRL), by the Companies and Intellectual Property Commission (CIPC) should be welcomed by all. None of the qualifying entities as registered with the CIPC could argue that they should not be expected to be held accountable to the same standard as their public representatives, who have displayed transparency about how taxes are being generated and how budgets are allocated and spent.

The speed of development and benefits of technology had surpassed the imagination of all who lived before the change of the century. In the same way, digital financial reporting is revolutionising the business world. This is how the CIPC envisages that technology can be used to the eventual benefit of all in SA. The scope of the ongoing XBRL Pilot Programme applies to the submission of audited or independently reviewed annual financial statements by a sub-set of around 100 000 qualifying entities and close to 50 Johannesburg Stock Exchange listed companies who recently participated in our pilot phase.

Not only will this technol-

ogy improve the efficiency of sorting through high volumes of financial reports, but it has been proven around the world that improved transparency in financial reporting in a rigorous regulatory environment improves investment. The Programme - to be rolled out from 1 July - will also pave way for eventual standard business reporting in SA, where various regulators can share data, thus achieving the principle of 'report-once-share-many'.

Improved transparency has also been proven to heighten investor confidence and investment

A 2002 study by the Organisation for Economic Co-operation and Development - an intergovernmental economic organisation with 35 member countries - found that transparency in financial reporting reduces 'herding' of fund managers' investment decisions. The study also found that 'improved transparency could improve the quality of

investment decisions'. Reasons for XBRL as technology standard for financial reporting are gaining momentum worldwide with various countries attesting to the benefits of XBRL outweighing the *status quo* of legacy mechanisms of reporting for consumers of financial or business information.

If SA is to move into the new age, improve investor confidence and boost entrepreneurship, there is no better time than now for the private sector to emulate the transparency displayed by those entrusted with public finances in their own business environment.



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