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 digital financial reporting 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 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.

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

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 on-going 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 technology 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.