



Companies and Intellectual
Property Commission

a member of **the dti** group

Did you know the CIPC is introducing XBRL?

Filing of Annual Financial Statements using an innovative platform

How it all started.....?

CIPC in its capacity as a custodian of the Companies Act No. 71 of 2008 (the Act) is mandated to promote reliability of financial statements by, inter alia, monitoring patterns of compliance with, and contraventions of financial reporting standards in order to make recommendations to the Financial Reporting Standards Council for amendments to financial reporting standards in order to secure better reliability and compliance. This function is championed by the Corporate Disclosure and Compliance Regulation Unit housed under the Business Regulation and Reputation division.

The objective in this regard is to monitor and regulate the business environment so as to contribute towards investor confidence and foster transparency in financial reporting and accountability. The CIPC regulates the business environment by taking the necessary enforcement measures articulated in the Act, such as administrative fines (prescribed in Section 175 of the Act)) and prosecution, depending on the weight, merits and materiality of non-compliance.

Regulation methodology

Each quarter, the Corporate Disclosure and Compliance Regulation unit selects and reviews a sample of financial accountability supplements, audited annual financial statements or independently reviewed annual financial statements that have been filed in terms of Regulation 30 of the Act, with the objective of monitoring compliance with the financial record keeping and financial reporting provisions of the Act.

CIPC may then issue a compliance notice to any such company setting out changes that are required to the company's practices to better comply with the financial record keeping and financial reporting provisions of the Act.

The sampling criteria used each quarter varies based on several aspects, including but not limited to; industry or sector, size of the entity (using the Public Interest Score calculations), a particular IFRS or IAS standard (e.g. IAS 18 – Revenue, IAS 38- Intangible Assets etc.) and entity type or category (e.g. Non-Profit Companies, Public Companies etc.). The reviewed audited or independently reviewed annual financial statements are then presented to the Financial Statements Review Committee which sits once a quarter to further discuss identified areas of concern and non-compliance.

After consolidating the findings, a second Review Committee meets to provide a second layer of quality assurance to the reviewed annual financial statements. The companies whose annual financial statements were found to be non-compliant or from whom material matters were identified are then contacted by way of a query letter and provided with feedback, given a chance to remedy the non-compliance and advised on future reporting. In cases where there were material non-compliances, a Compliance Notice is issued to the company.

Future Development...

In an attempt to enhance the filing efficiency of Annual Financial Statements and improve the quality of information submitted, CIPC considered creating standardization to maintain consistency of reporting, and therefore introduced iXBRL as a method applicable in line with global standards.

You may have heard about XBRL, but have no idea what it is all about- except perhaps that you need to start using XBRL for reporting your Annual Financial Statements. If that is the case, you are in the right place.

The following narrative expounds more on what XBRL is, the benefits it provides and what it might take for businesses to start using iXBRL.

The task team comprising of representatives from CIPC and XBRL SA used a multi-methodological approach which included conducting focus interviews with stakeholders, holding workshops and reviewing case studies of XBRL implementations from around the world. In addition to that, the task team conducted a literature review.

The digital reporting format will be in the form of iXBRL and will assist companies with filing their Annual Financial Statements to egress from a PDF reporting format to a more structured format. This will ultimately reduce the burden of multiple submissions to different regulators.

XBRL Project Objectives are:

- To reduce the administrative burden on businesses when they report financial information to government for regulatory compliance. Achieving this goal requires reducing duplication and inconsistency in business information reported to various government agencies—thus, a national (local) taxonomy becomes a necessity; and
- To provide businesses and investors with financial information for better transparency and for reduced administrative costs by reporting businesses.
 - ✓ Providing an online reporting portal will make it easier for listed companies to report using XBRL. The portal will have a secure login to submit annual financial statements which will enable CIPC to conduct analysis on the data provided. The portal is intended to be as user-friendly as possible using numerous prompts and a how-to guide for users. Our intention is to provide a valuable service to registered entities. While the implementation of XBRL has technological and training requirements, in the long term it will save the entities money.
 - ✓ XBRL has the potential to cut hours of waste and inefficiency for the entities that prepare it well. Once data is gathered in XBRL, different types of reports using varying subsets of the data can be produced with minimum effort. Entities' finance divisions, for example, could quickly and reliably generate internal management reports, financial statements for publication, tax and other regulatory filings, as well as credit reports for lenders.
 - ✓ While South Africa is quite advanced in terms of reporting standards, and quality of financial reporting, the country has been slow to recognise the benefits of XBRL. "South Africa was one of the first countries to adopt International Financial Reporting Standards (IFRS), but we haven't seen wide scale adoption of XBRL yet. The introduction of the XBRL portal should further encourage this.
 - ✓ The promotion of XBRL in South Africa is driven by XBRL South Africa (which is under the auspices of SAICA), a non-profit organisation. CIPC's primary objective is to promote and create awareness of the use of XBRL in the country using the taxonomies for South African specific reporting requirements, such as the additional reporting requirements of the SA Companies Act over and above IFRS standards.
 - ✓ The tagging will allow consumers of information to immediately pull out the exact information they want, and instantly compare it to the results of other companies. The enhanced usability of data offers great advantages to listed companies, analysts, investors as well as for financial journalists who have to report on company performance.

Where are we now....

To date, the project has adopted a CIPC taxonomy that was developed and an RFP has been issued and closed on 31 January 2017 to procure the services of a vendor that will be able to design, develop, implement and maintain the XBRL reporting platform for annual financial statements.

CIPC has made an official announcement to 100 selected companies through a seminar held on 15 March 2017. The CIPC continues to drive a formal awareness campaign through various media releases in the second quarter of 2017. CIPC is planning to have the prospective service provider appointed in April 2017 in order to assist with the development of the reporting platform as well as conducting of the required testing before final deployment of the service in 2018.