

Johannesburg
16 April 2018

XBRL® FACILITATES STANDARDISED BUSINESS AND FINANCIAL REPORTING GLOBALLY

By Terrance M. Booyesen (Director: CGF) and peer reviewed by Hennie Viljoen (CIPC: XBRL Programme Manager)

Standards affect almost every aspect of daily living. They set a certain benchmark level of quality or attainment, and they may be used as a measure, norm or model in comparative evaluations. Standards may also regulate social and societal interactions and they are most often used to manage and guide operations to ensure safety, quality and functionality. In essence standards are as important as they are influential; and the wider the range of their adoption, the easier it is to achieve -- albeit initially -- a common level of *quality* and *comparison*.

From a business perspective, every aspect of an organisation will be affected and influenced by certain standards, which will apply to a greater or lesser extent, and which may be internally or externally imposed, measured and monitored. Standards will apply to, amongst other things, business operations, human resource behaviour and management, as well as the collection, collation and reporting of certain information.

"Standards must be observed, but they are only the starting points for further improvements.

Standardization should be optimistic. There is always room for improvement and a better future."

Standards for financial reporting

Shigeru Nakamura

The management and standardisation of financial and accounting information and reporting has long been regulated worldwide through the likes of the International Financial Reporting Standards ('IFRS'). These standards were developed by the International Accounting Standards Board (IASB) in 2001 and have become the basis for a global accounting 'language', or set of principles, in terms of which all organisations collect, collate and report financial data. The mission of IFRS is to "develop...[s]tandards that bring transparency, accountability and efficiency to financial markets around the world. [Its] work serves the public interest by fostering trust, growth and long-term financial stability in the global economy."

Standards for non-financial reporting

In a similar vein, and in the same interests of transparency, accountability and efficiency, non-financial reporting should be standardised, and the capture and sharing of both financial and non-financial data -- in fields other than accounting -- has been recognised.

The accuracy and reliability of information used internally by an organisation's management, and externally by its stakeholders, is critical for fast and effective analysis and decision making. Increasingly, there is greater focus -- especially within the regulatory environment -- on more efficient and timely information-sharing and reporting, and organisations are required to streamline the process of reporting, as well as the analysis of the information contained in their reports.

Governance Codes, such as the UK Corporate Governance Code (April 2016) and the King IV Code on Corporate Governance for South Africa, 2016™ (King IV™), require governing bodies (boards of directors) to present a fair, balanced and understandable assessment of the organisation's position, performance and prospects to all of their stakeholders. In addition, governing bodies must ensure the integrity of the information that is shared.

The standards around the reporting of information, and the data that informs that information, are coming under the spotlight on a regular basis, especially in the context of current exponential technological advances and the Fourth Industrial Revolution, the rise of the Internet of Things (IoT), and the consequent generation of vast amounts of data.

“Standardisation has arguably been the pivotal mechanism for the widespread adoption of many pioneering technologies.”

www.xbrl.org

Enter eXtensible Business Reporting Language (‘XBRL®’)

In assisting organisational governing bodies to meet legislative, regulatory and good governance reporting requirements, and in facilitating more effective and efficient standardised reporting, the concept of eXtensible Business Reporting Language (‘XBRL®’) has been developed to improve the quality, transparency and flexibility of internal and external business reporting worldwide.

XBRL® is a global standard for the capture and exchange of *business and financial* data. It transcends the language of IT systems and provides organisations with a common taxonomy -- a dictionary of terms which is designed to enable different computer programmes to share and process data where each item of data is classified in accordance with mutual understanding. As such, XBRL® enables the standardisation and automation of the processes used to prepare, analyse, publish and communicate reports.

“In a nutshell, XBRL provides a language in which reporting terms can be authoritatively defined. Those terms can then be used to uniquely represent the contents of financial statements or other kinds of compliance, performance and business reports. XBRL lets reporting move between organisations rapidly, accurately and digitally.”

www.xbrl.org

Every aspect of an organisation’s non-financial reporting processes is standardised and automated through XBRL®, including the gathering, assembly and consolidation of data, as well as the extraction and analysis of business information. Since XBRL® is platform-independent, the standard will work on any operating system.

The adoption of XBRL® is gaining momentum on a global basis and it is currently used in more than 50 countries worldwide. In South Africa, the Companies and Intellectual Property Commission of South Africa (‘CIPC’) has mandated the use of XBRL® from 01 July 2018 for the submission of Annual Financial Statements (‘AFSs’) by all public organisations; qualifying private organisations (which previously submitted AFSs in PDF format); state-owned organisations; non-profit entities and qualifying Close Corporations.

CIPC’s aim is to eventually implement Standard Business Reporting (SBR) in South Africa, in terms of which regulators will be able to share data, eliminating the need for organisations to report different formats of financial statements to multiple regulators. Besides the governance interests regulators have in the XBRL®

standard, investors and other interested stakeholders will also have the means to analyse consolidated statements per industry on a standardised basis, and they will therefore have much broader and deeper insights into businesses across various sectors.

Organisational benefits of XBRL®

While the requirement to use XBRL® in reporting may seem onerous to those organisations not currently implementing the standard, the long-term benefits are numerous. These include the fact that over time, an organisation's record keeping systems and workload will be drastically reduced, especially since information will only need to be entered once into a system, but will be available for multiple purposes. A variety of data will be automatically identified and processed, and results of information analysis will be consolidated and far more accurate. In this way, organisations will be able to specifically and timeously communicate pertinent information in a standardised format to the stakeholders who require it, and benchmarking and comparison exercises will become simpler and more appealing to investors. Instead of using resources on collecting data and recording it into a system, efforts can be better focused on the analysis of that information to facilitate more accurate forecasting and insightful decision making.

Once an organisation acknowledges the benefits of XBRL® and complies with the requirement of CIPC to submit its AFSs in XBRL® format, it will also acknowledge the benefits of, and necessity for, reporting all other non-financial information in the same standardised format. It will acknowledge that, when considering XBRL® in the context of good governance, that all the *strategic* and *operational* components will necessarily feature in the organisation's Corporate Governance Framework® and its reports.

Over time, an organisation should also be able to present interested stakeholders -- including internal stakeholders and those external to the organisation, such as regulators, shareholders and investors -- with a consolidated view of its financial and non-financial information through its Corporate Governance Framework®. The information extracted from the organisation's governance framework will be commonly understood and analysed in the context of XBRL®. This will address the requirement of the governing body to ensure that there is a shared understanding of the governance structures of the organisation and that standardised, relevant and appropriate information is available to facilitate the management of risk and decision making, and ultimately to grow and sustain organisations of value.

[XBRL® is a trademark or service mark of XBRL International, Inc., registered in the United States and in other countries.]

ENDS

Words: 1,253

For further information contact:

CGF Research Institute (Pty) Ltd
Terrance M. Booysen (Chief Executive Officer)
Tel: +27 (11) 476 8264 / Cell: 082 373 2249
E-mail: tbooyesen@cgf.co.za
Web: www.cgf.co.za

Companies and Intellectual Property Commission (CIPC)
Hennie Viljoen (XBRL Programme Manager)
Tel: +27 (0) 82 373 3409
E-mail: xbrl@cipc.co.za
Web: www.cipc.co.za