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Financial Reporting Automation (1)

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The effect of globalization led to the loss of national identity in our local financial reporting standards by the adoption and implementation of International Financial Reporting Standards (IFRSs) in Nigeria. As the forces of globalization prompt more countries to open their doors to foreign investments and increasing cross border expansion by business entities, both the public and private sectors are increasingly recognizing the benefits of having a commonly understood financial reporting framework. The adoption of IFRS in Nigeria has undoubtedly improved management information for decision making- a key factor in business growth, greater ease to obtaining capital and creating a common standard of reporting for local and international companies.

Standardization of reporting requirements give local entities the same leverage international companies have -greater level of confidence by market operators, potential investors and analysts. To achieve this level of reporting on a continuous and sustainable scale, local companies must invest in financial reporting systems that guarantee compliance with IFRS.

IFRS implementation resulted in the need for change in the format and structure of financial reports with more extensive disclosure requirements. Some reporting entities have since adopted the use of spreadsheets like excel to model templates for reporting. A few others have moved to the use of ERP systems to bridge the gap while others are considering the option of systemizing the reporting process. None of these methods have accomplished full IFRS reporting automation.

The reporting process is definitely a challenging one under IFRS regime. For a start, entities still battle with transition adjustments or recurring IFRS adjustments which must be continuously repassed for the purpose of reporting. Another reason why IFRS reporting remains a challenge is the difficulty in coping with rapid frequency and volume of changes/amendments to standards. This is even so true for public entities with transactions that require a lot of disclosures. More daunting are consolidation exercises where entities are meant to consolidate foreign operations and various variants of group accounting. Though from a GAAP perspective, not

much has changed in terms of consolidation procedures, however, a number of entities still have challenges in this regard.

Having to achieve all these manually from period to period creates even more difficulty and cumbersomeness which results in less efficiency. In some parts of the world, reporting has fully moved to automation and until we begin to look in that direction, the challenges that come with manual work may not abate. The knowledge and use of financial reporting software is very crucial for reporting efficiency and effectiveness.

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With the use of financial reporting software, organizations can realize unprecedented benefits. Automation of financial reporting helps to improve audit readiness, promote reliable consolidation of financial statements across different

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countries, team sharing and optimized collaborations, electronic review and monitoring while ensuring transparency and credibility of financial data. The entire process of preparing accounts becomes faster and reports can be generated instantly at the click of a button.

For CFOs, CEOs, investors or other key decision makers who are contemplating to deploy a financial reporting software, the following are helpful considerations in arriving at a conclusion with regards to the type of software to be deployed:

- **Preparation of annual financial statements.** A financial reporting solution that can enable the company prepare full set of IFRS financial statements from trial balance stage.
- **Preparation of quarterly financial statements to regulatory authorities.** Ability to prepare a full set of abridged financial statements that meet the reporting requirements of both IFRS and local regulatory bodies (e.g. SEC).
- **Consolidation purpose.** The solution that aids in easy consolidation of group entities, ideal for joint-venture accounting, fund accounting, and any type of multi-entity performance-monitoring.
- **Management reports.** The solution that enables the company prepare monthly management report in full IFRS format.
- **Financial statements analysis.** Efficient and highly-flexible, embedded XBRL solution that makes it easier than ever to generate, analyze and share created financial statements.
- **User friendly.** Financial reporting and analysis tool that is able to perform data analysis quickly to help analyse financial ratios.
- **Easy standardisation.** A next-generation report writer that can easily customize content, styles and formatting specific to the entity.
- **End of year close and Roll forward.** A solution that is able to roll forward the current year figures and make them comparative figures for the next financial year.
- **Robust trial balance and seamless generation of leadsheets and trial balance drilldown**
- **Team sharing.** A financial reporting solution that is able to allow users to share tasks while working on the same engagement.

- **Integration of software with entity's core ERP**
- **Post audit reclassification and adjustment journals.** A solution that could be used to input and edit any adjustments that need to be made to the financial statements after audit.
- **Dynamic.** A web-based solution that automatically uploads IASB updates to latest financial statement template.

The quality of financial reports is indispensable to the need of users who require them for investment and other decision making purposes. Financial reports can only be regarded as useful if it is relevant, reliable, comparable and aids interpretation. Some organizations have missed statutory filing deadlines due to manual compilation of financial statements. The use of technology in the automation of financial reporting eases consolidation and preparation of full set of annual financial statements according to IFRS, including Statement of Financial Position, Comprehensive Income Statement, Statement of Cash Flow, Statement of Changes in Equity, all notes, accounting policies lead schedules and other reports such as Directors' report, Corporate governance report, Audit Committee report and Five year financial summary. Automation eliminates the risk of errors and inconsistencies associated with using massive spreadsheets. A good example of an end-to-end financial reporting solution is CaseWare Working Papers. CaseWare handles the entire financial reporting process from trial balance to the final financial statements as well as required leadsheets, journals and other workings for audit readiness.

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COSO: A Framework for enhancing Internal Control over Financial Reporting

The 2013 COSO Framework update provides an avenue for audit committees and management teams to have a fresh look at internal control and create value in an organization. The framework can also help the regulators manage shareholders expectations as regards internal control over financial reporting.

At Deloitte we assist companies and regulators in performing the following:

1. Readiness/Gap Assessment
2. Education and Training
3. Implementation of COSO internal control framework
4. Review of operating effectiveness of internal control

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