

FINANCIAL REPORTING AND INFORMATION TECHNOLOGY

Presentation by:

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Presentation agenda



- ✓ Introduction
- ✓ How technology is used in Accounting
- ✓ Who benefits from IT in Financial Reporting
- ✓ Impacts of Information Technology on Financial Reporting

Introduction



Traditionally, finance and financial reporting has been a complex function, with chances of errors being made being significantly high.

Due to the sensitivity of matters relating to finance, errors have the potential of causing major consequences to a firm, including loss of investors and other stakeholders, and possibility of facing law suits.

Loss of valuable resources like time and labour on dealing with errors rather than focusing giving professional advisory

Introduction



For financial information to be useful and effective, it should have specific qualitative characteristics including; reliability, understandability, comparability and relevance.

Reliability and relevance can now be achieved using financial technology as timely and accurate reports can be prepared and produced.

Introduction



Information technology continues to play a major role in overcoming these challenges and in the general growth of businesses

Information technology has made preparation, storage, sharing and publishing of financial information easier, faster and more accurate.

Objective of this Presentation



Create Awareness
Predictive.
Adaptive



Why



Aware of Disruptions before you are disrupted
See Opportunities before the Competition
Adapt to Problems before you have them

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Definitions



Financial Reporting

Communicating financial results of an entity to various stakeholders

Information Technology

The use of computer systems, softwares and networks to process and distribute data.

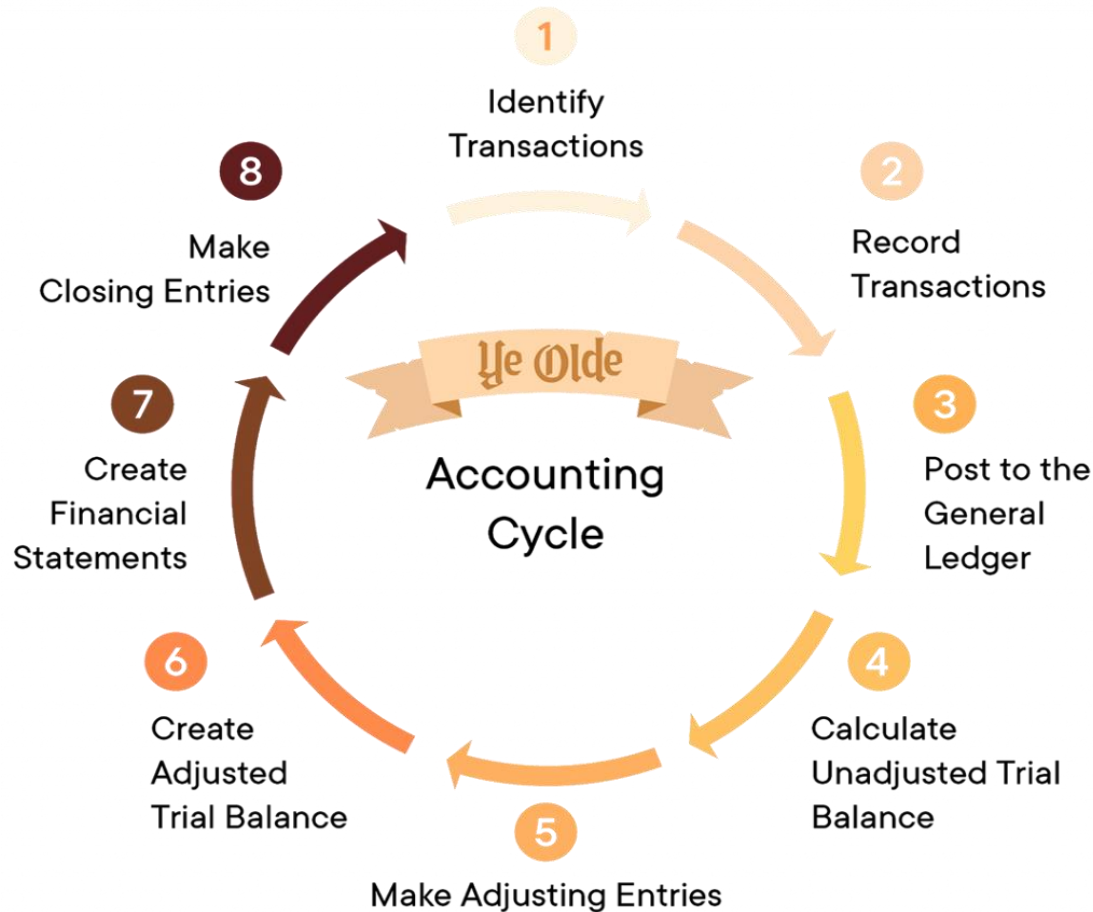
The convergence of IT and Financial Report



IFRS + Information Technology



The process of financial reports preparation



Which of these processes is not automated?

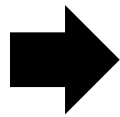


- | | | | |
|--|-------------------------------------|----------------------------------|-------------------------------------|
| 1. All of them | <input checked="" type="checkbox"/> | 6. Make Adjusting Entries | <input checked="" type="checkbox"/> |
| 2. Identify Transactions | <input checked="" type="checkbox"/> | 7. Create adjusted Trial Balance | <input checked="" type="checkbox"/> |
| 3. Record Transactions | <input checked="" type="checkbox"/> | 8. Create Financial Statements | <input checked="" type="checkbox"/> |
| 4. Post to the General Ledger | <input checked="" type="checkbox"/> | 9. Create Closing entries | <input checked="" type="checkbox"/> |
| 5. Calculate un adjusted Trial Balance | <input checked="" type="checkbox"/> | 10. None of the above | <input checked="" type="checkbox"/> |

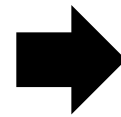
Financial reporting processes and IT journey



**Manual
Documentation**



Calculator

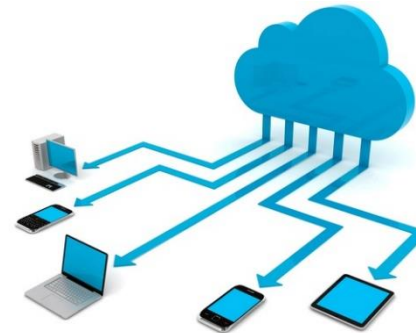
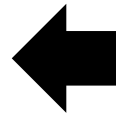


Excel Files

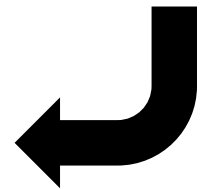


**Desktop
Applications
(Quickbooks)**

Desktop Application



**Cloud-Based
(Xero)**



What prompted the need for adoption of IT in financial reporting



Entities that continue to benefit from these technological innovations include;

Auditors and regulators

Auditors can now produce more frequent and higher quality reports as they can efficiently undertake audits.

Investors

Investors can now get more insightful financial reports that would help them decide the next steps to take in a firm.

Cost

Free up resources of maintaining and reconciling ledgers
(Concentrate on planning and evaluation rather than record keeping.)

What prompted the need for adoption of IT in financial reporting



Entities that continue to benefit from these technological innovations include;

Policymakers

For an improved society, policy makers need to understand the current conditions and make futuristic decisions. Outdated information makes analysis and forecasts less useful. Real-time and information can now be accessed by the policymakers hence they can make more useful decisions for the society.

What prompted the need for adoption of IT in financial reporting



Information technology has brought about positive implications which include;

Improved accessibility to accounting data

Cloud computing allows all authorized users to access accounting data anywhere as long as they have internet.

They can as well make entries, scan documents and check reports from their mobile devices.

Accounting and finance professionals can now work efficiently and remotely.

Key Technological Changes That Are Changing The Way Business Is done

Technological Global Trends



NEW TRENDS IMPACTING BUSINESS



- ✓ Customer journeys
- ✓ APIs begin to mature
- ✓ Security faces new threats
- ✓ Workforce changes culture
- ✓ Privacy is priority
- ✓ AI-Driven predictive banking
- ✓ Payments everywhere



TECHNOLOGY OF UPCOMING TRENDS



- ✓ **Analytics**
- ✓ **Blockchain**
- ✓ **Machine learning & AI**
- ✓ **Robotics**
- ✓ **IOT**
- ✓ **Cloud accounting**

ANALYTICS



Financial analytics used to answer specific business questions and forecast possible future **financial** scenarios through Data mining and advanced analytics techniques.

ANALYTICS



Uses of Analytics

- Risk Analytics
- Customer Analytics
- Fraud Analytics

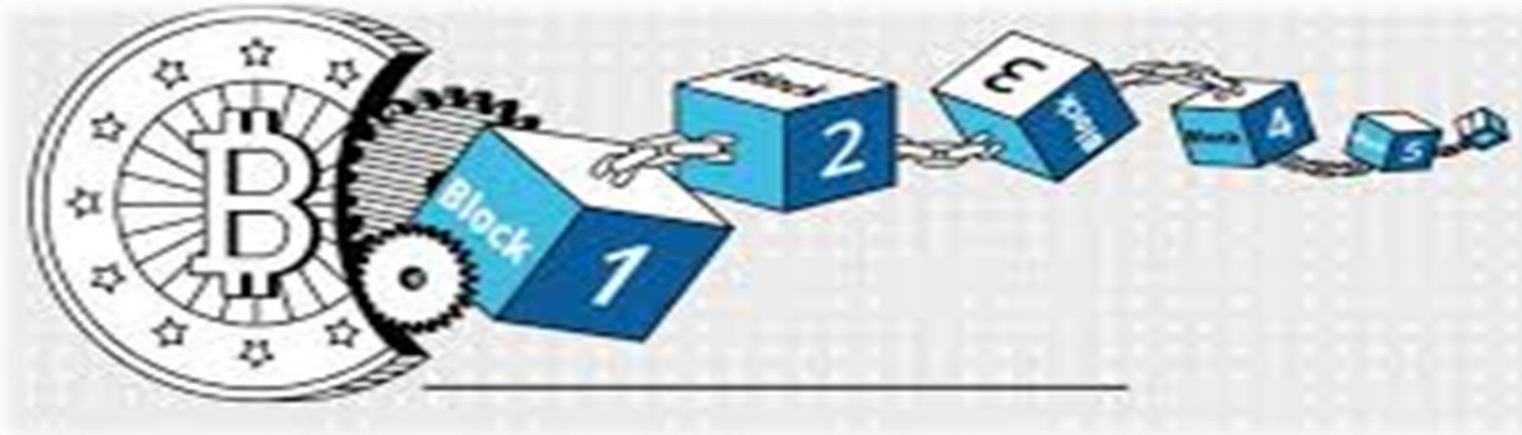
Advantages

- Operational efficiency
- Customer profitability
- Regulatory reform

BLOCKCHAIN



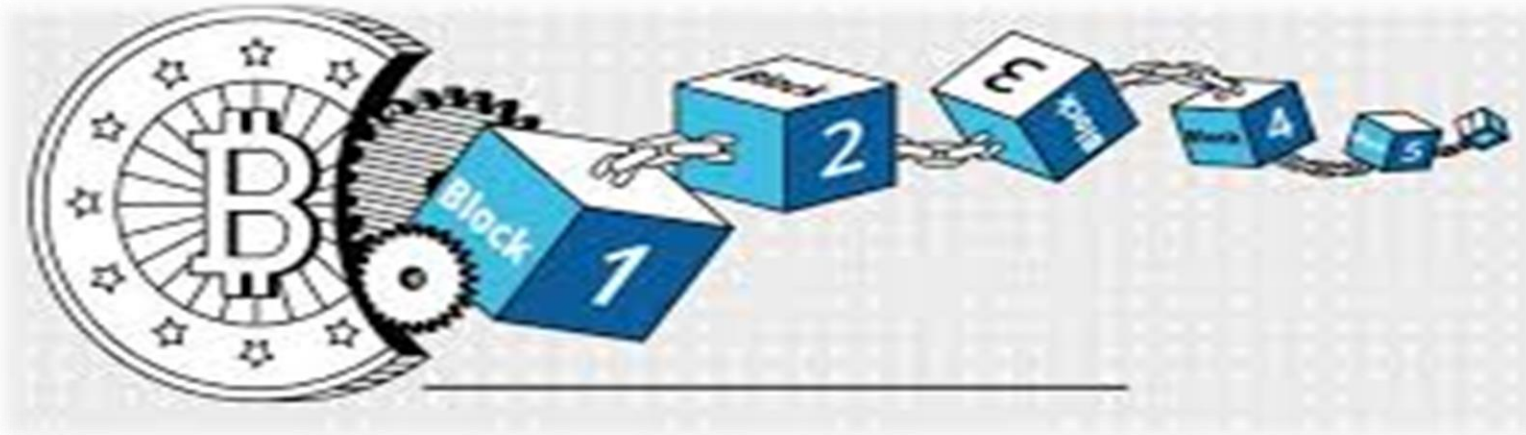
Blockchain: A database about every transaction in detail usually known as a “public ledger,” whose log contains metadata about when and how each transaction took place.



Video



<https://www.youtube.com/watch?v=3xGLc-zz9cA>



HOW BLOCKCHAIN CAN BE USED YOUR BUSINESS



- ✓ Asset Management,
- ✓ Insurance: Claims processing,
- ✓ Payments: Cross-Border Payments, Crypto
- ✓ Supply Chain Sensors
- ✓ Blockchain Music
- ✓ Blockchain Health

MACHINE LEARNING



Machine learning is an application of artificial **intelligence (AI)** that provides systems the ability to automatically learn and improve from experience without being explicitly programmed. **Machine learning** focuses on the development of computer programs that can access data and use it learn for themselves

USES OF MACHINE LEARNING



- ✓ Money-laundering prevention
- ✓ Network security
- ✓ Marketing
- ✓ Customer service
- ✓ Investment predictions
- ✓ Fraud prevention
- ✓ Risk management



ARTIFICIAL INTELLIGENCE



USES OF ARTIFICIAL INTELLIGENCE



- ✓ Contract Intelligence (COiN)
- ✓ Chatbot
- ✓ Predictive banking and analytics
- ✓ Fraud and anti-money laundering
- ✓ Data infrastructure overhaul

ROBOTICS



Robotic process automation (also known as RPA) refers to the use of software **robots** (or similar virtual assistants) which are programmed to complete repetitive and labor-intensive tasks.

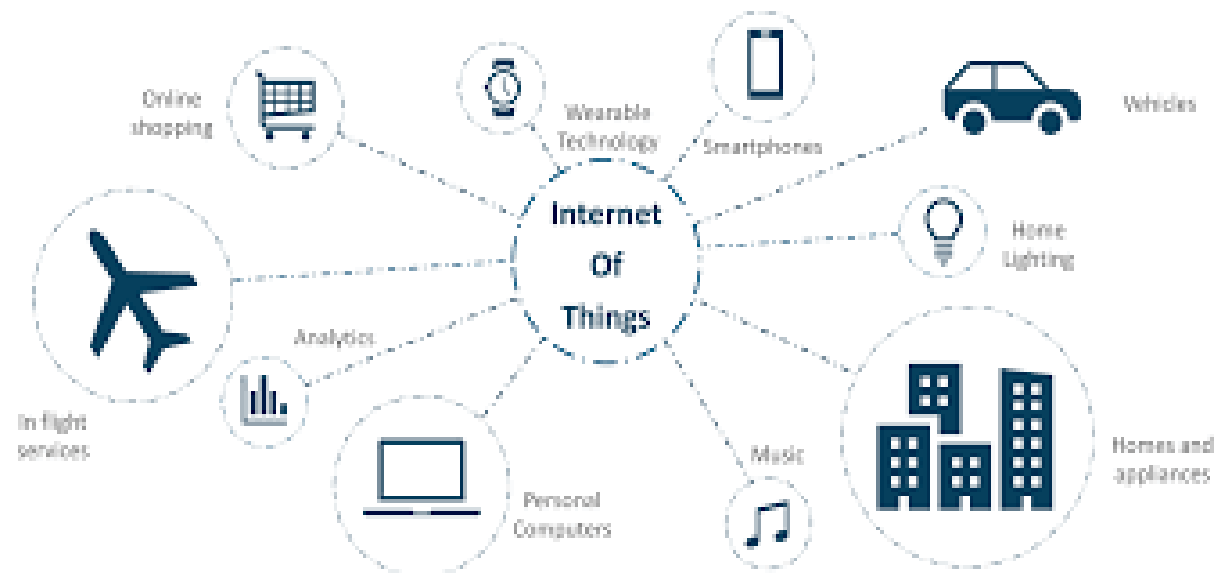
- ✓ **Ubiquitous ATM**
- ✓ **Virtual tellers**
- ✓ **Robo advisors in wealth management**
- ✓ **Customer care guide**



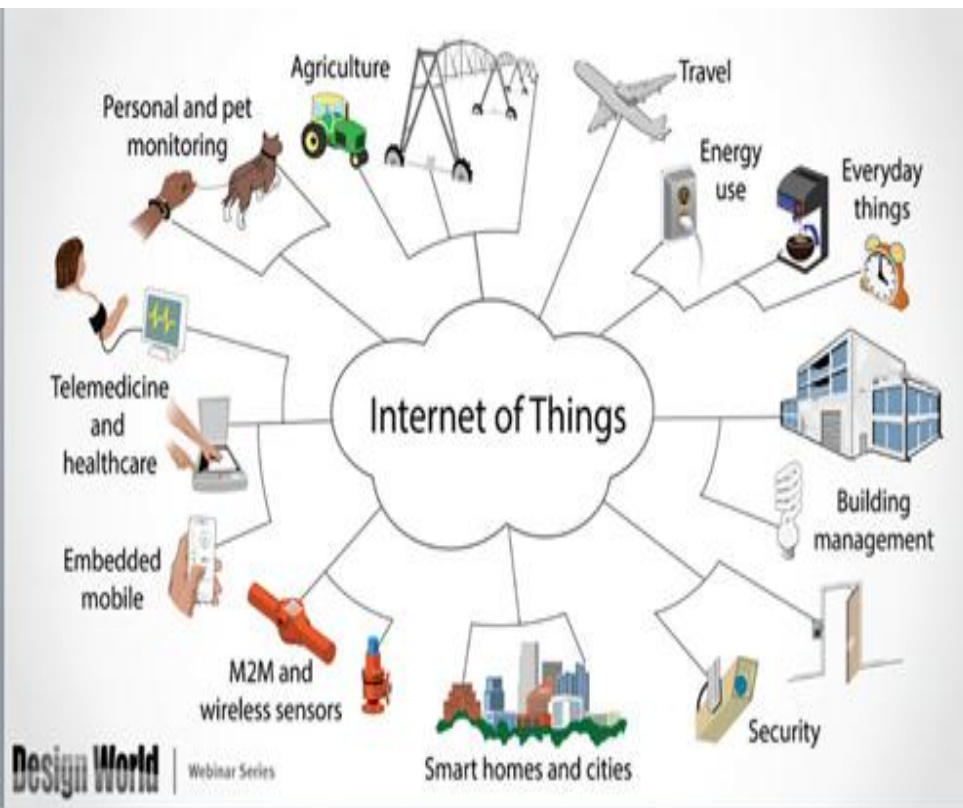
Internet of Things (IoT)



This is a system of **interrelated computing devices**, mechanical and digital machines, objects, animals or people that are provided with **unique identifiers** and the ability to transfer data over a network without requiring human-to-human or human-to-computer interaction.



Internet of Things (IoT)



- ✓ **Smart Home**
- ✓ **IoT in Healthcare (*Nanomedicine*)**
- ✓ **IoT in agriculture**
- ✓ **Smart Cities**
- ✓ **Connected Cars**
- ✓ **Wearables**
- ✓ **Smart Home**

CLOUD ACCOUNTING



“

Cloud computing allows organizations to get up and running on an outsourced IT infrastructure without the time or cost investment. It also allows financial firms to start modernizing their technology with minimal investments.

”

CLOUD ACCOUNTING



- ✓ Accounting software is hosted on remote servers, similar to the SaaS (Software as a Service) business model.
- ✓ Data is sent into “the cloud,” where it is processed and returned to the user.



THE FUTURE OF WORK



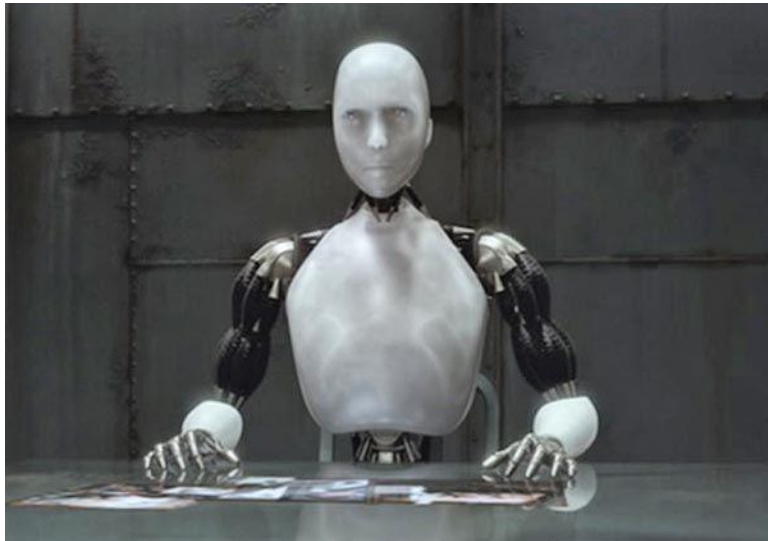
Technologies like Automation, Robotics, and Artificial Intelligence (AI) are shaping how we work, where we work, and the skills we need to work.

THE FUTURE OF WORK




- <https://www.youtube.com/watch?v=4piX0NiVGZc>

THE FUTURE OF WORK



- ✓ **Need for Enhanced System Security, (*Viruses*)**
- ✓ **Decentralized workforces**
- ✓ **Technology will augment human's jobs**
- ✓ **Investing in Social Inclusion**
- ✓ **Skill as opposed to Papers**
- ✓ **Technological takeover on repetitive roles**



*Cloud computing, AI & Machine
learning and Robotics*
IS HERE TO STAY

Impacts of Information Technology on Financial Reporting



Automation and less manual work

Accounting records can automatically update as transactions occur. This is so as accounting software can access real-time information from numerous sources. The software can integrate with invoicing, payment and payroll services, and full enterprise system.

Professionals can now focus more on roles such as analyzing financial information and advising management as transaction updating is automated.

Impacts of Information Technology on Financial Reporting



Improved Accuracy

Automation has significantly reduced the likelihood of human error. Firms and their stakeholders can now get more useful financial information

Incase of an error, the system notifies the accountant and this can be addressed immediately.

Speed

Decision makers need timely financial reports to be able to provide stakeholder with useful financial information.

Real time analysis is made possible by information technology as managers can prepare reports and process data easily.

Impacts of Information Technology on Financial Reporting



Improved Accuracy

Information technology could however have a few setbacks on a firm which includes;

- i. **Need for expertise.** Accountants and other finance official need to be up to date with the evolving technology innovations. They might require training, for instance in accounting software which might be time consuming.
- ii. **Cost.** Apart from the fact that training staff would be costly, the firm might also have to incur initial cost in adopting new IT developments.

The Role of IT in Financial Reporting



- ✓ **Accuracy**
- ✓ **Timely (Real-time) reporting**
- ✓ **Solving of financial reporting complexities**
- ✓ **Efficiency**

Current IT tools with a significant impact on Financial Reporting



CaseWare
Financial reporting and
auditing



Aaro systems
Consolidation and
Modeling



Galvanize
Audit and CAATTs



Xero Accounting system
Accounting and reporting



Sage Accounting system
Accounting and reporting

Thank You!