Accurate financial reporting is critical for Nigeria's growth

Nigeria's Gross Domestic Product (GDP) has expanded 5.94% in the fourth quarter of 2014 compared to the same quarter of 2013.

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GDP annual growth rate averaged 6.13% from 2005 until 2014 and economic experts have projected an average growth of 5.5% for Nigeria in 2015.
"Favourable financial conditions are key to investors and as more investment and interest turns to Nigeria, investors and creditors want as much financial information and insight as possible - which is why accurate financial reporting is critical," says Theuns Holtshousen, Divisional Business leader, CaseWare Africa.

According to EY Greenfield, foreign direct investments (FDI) projects into Nigeria have grown at a compound rate of close to 20% since 2007, positioning it among the ten countries with the highest growth rates in Africa. Nigeria has also attracted the most FDI capital and the second most FDI projects in sub-Saharan Africa over that period, making it one of the star performers in a period in which FDI flows into the region have been fairly robust.

A number of challenges

"With such growth and investment opportunities, there are, however, a number of challenges faced by investing multinationals with regards to compliance and reporting including reliance on manual tax compliance, language barriers, local accounting requirements and an increase in tax audits," adds Holtshousen.

"However, the importance of financial compliance cannot, and must not, be underestimated. Rather these should form the basis of sound financial reporting, especially as Nigeria starts to take its rightful place in the global market as businesses look to infiltrate and expand across the continent."

The past decade has been littered with corporate scandals and unfavourable financial market conditions which have highlighted irresponsible business behaviour as well as the need for the better monitoring and control, particularly from a financial perspective. "With CFOs now required to sign off on all financials, making them responsible for reporting on whether the annual financial statements are fairly presented in accordance with the applicable financial reporting framework, a new level of accountability has been introduced," continues Holtshousen.

Spread sheets

"In the past, the monitoring and control of financial statements was predominately a document based process or managed with applications that fall outside of the standard business IT applications, such as spread sheets. The problem with this approach is that it doesn't necessarily decrease the overall risk. Spread sheets can be hazardous and may expose an organisation to unacceptable business and regulatory risks as they are prone to input errors and are normally reviewed in isolation."

Technology and tools that can automate the entire financial engagement and produce quality financial statements may therefore be seen as an alternative to traditional books and spreadsheets - as not only do they enforce compliance with disclosure on audit requirements, but ensures more accurate financial statements and business reporting which is essential for sustained stakeholder confidence and resultantly continued investment.

"As technology becomes more intuitive, it will continue to address even more pain points and becomes an enabler for financial reporting - changing the way firms operate where it ensures they are both connected and intelligent from a critical financial perspective and this will be critical as Nigeria continues to grow, diversify and cement its role as a significant hub in Africa," concludes Holtshousen.