

Optimising your Financial Reporting Systems for Long-Term Value



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INTRODUCTION

Objectives

- Financial reporting systems are the 'engine room' for data collection, extraction and usage.
- This session looks at how to diagnose their efficiency, implement operational improvements, and track and monitor those efficiencies to maintain the systems for the long-term.

Agenda

- Overview
- Diagnose
- Strategise & implement
- Track and monitor efficiencies
- Conclusion

Audience profile

- How many participants from:
 - Public sector?
 - Private consulting practices?
 - Not-for-profit organisations?
 - Small to Medium Enterprises?
- Who is happy with their current financial reporting systems?

Expectations

- What is your key expectation or outcome from today that we absolutely must cover?



Overview

The client

- Medium-sized business with specialist reporting needs, and a legacy information system.

The reporting process

- The Financial controller set up the monthly reports with this process:
 - CSV export on Unix
 - FTP to Novell
 - Import to Access
 - Data conversion
 - Export to CSV
 - Import to Cognos
 - Reporting Queries
 - Export to HTML
 - CEO swore because it rarely worked
- Then the financial controller left...
- ... and the CEO swore some more.

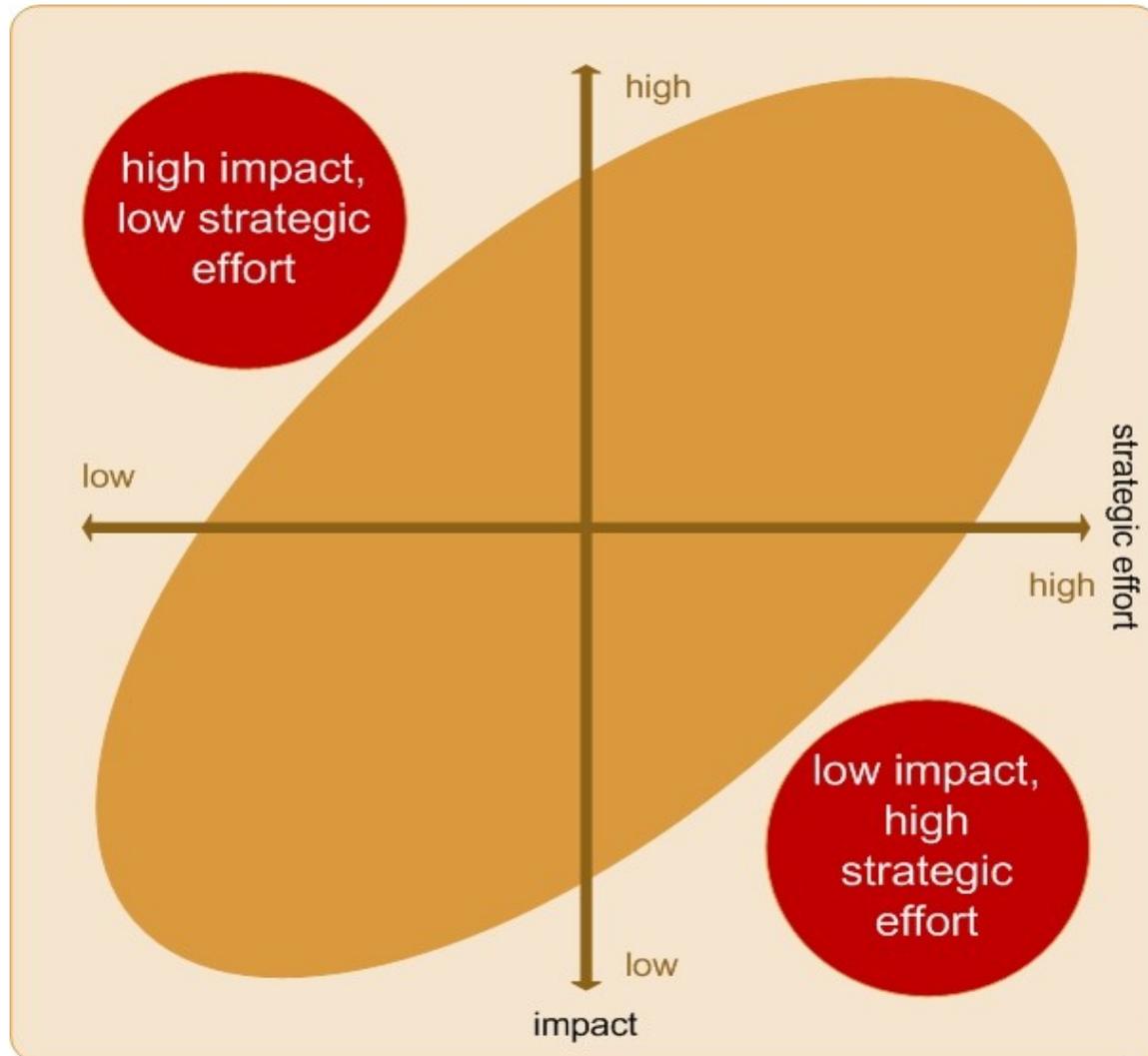
Business reporting

- Business reporting is the process of manipulating and presenting information held within one or many systems so that the information can inform operational, tactical, and strategic decisions.
- This is not just financial accounting information, but much of the information we report is.

Financial reporting system

- The financial reporting system is fundamental to effective business reporting. It may be integrated with the accounting system, but frequently it is not.
- Produces financial reports that link to data in non-financial systems to produce management information.

The right strategic effort



Factors in effective reporting

Outcomes

Effective Business Reporting

Information System & Financial Reporting System

Factors

Compliance frameworks

Business Growth Strategy

People

Process

Technology

Financial Capacity





Diagnose

The need for a benchmark

- A goal that identifies what an 'optimal financial reporting system' is is necessary. COBIT 4.1 provides a good basis under DS11.

What is COBIT?

- Control Objectives for Information Technology provides a framework for the governance of the information technology business function.
- Published by the IT Governance Institute (www.itgi.org - associated with Information Systems Audit and Control Association)
- Provides a good robust framework for the design and governance of information systems in addition to assurance purposes – not just 'made up'
- Talks about controls in terms of a maturity model where 0 = non-existent, 5 = optimised



What is optimisation?

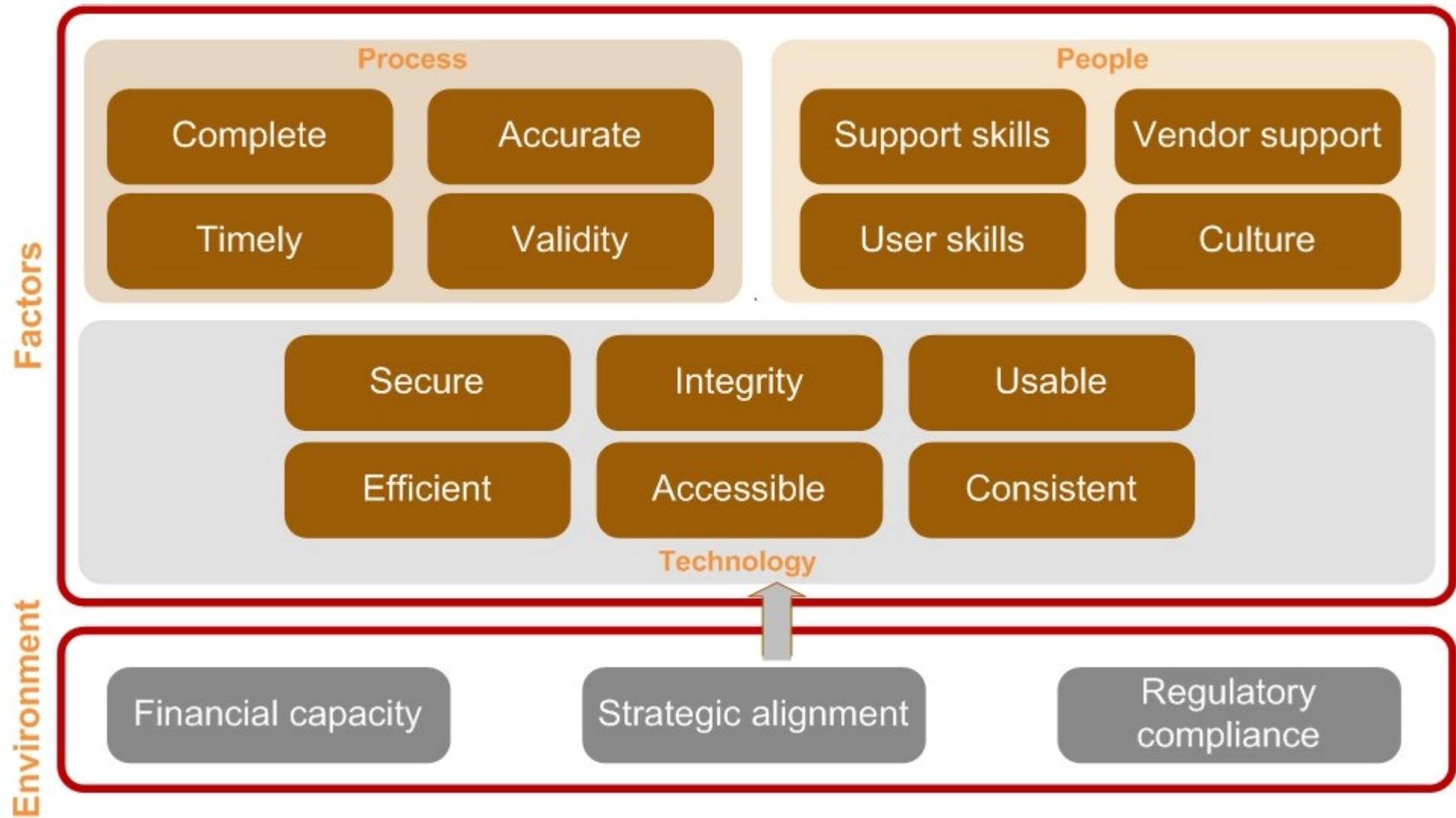
Managing optimised financial reporting systems (See DS11)

- The need for data management and the understanding of all required actions is understood and accepted within the organisation.
- Future needs and requirements are explored in a proactive manner.
- The responsibilities for data ownership and data management are clearly established and widely known.
- Procedures are formalised and widely known.
- Sophisticated tools are used with maximum automation.
- Goal and performance indicators are consistently monitored.
- Opportunities for improvement are constantly explored.
- Training for data management staff members is instituted.

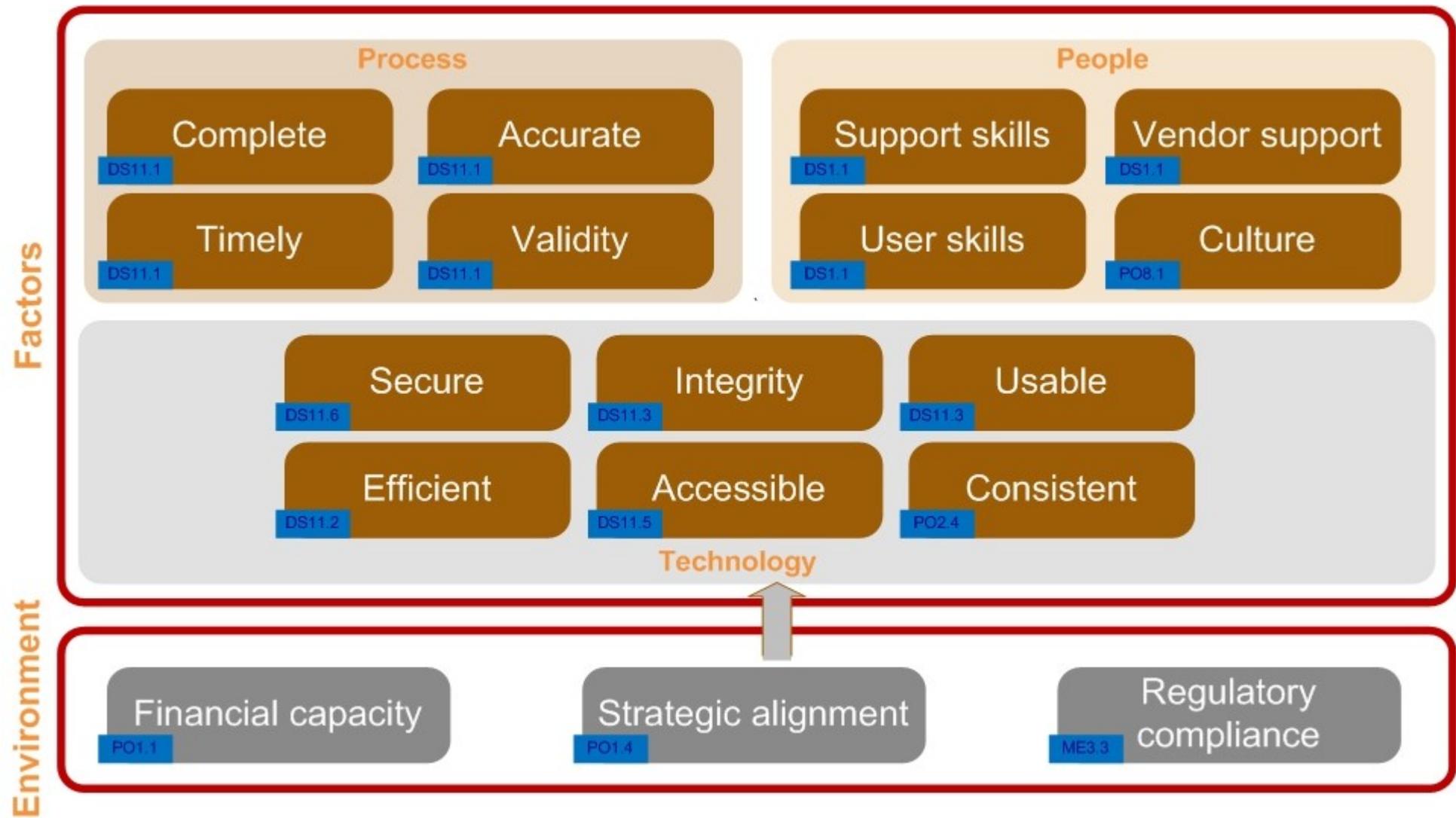
Our business goal

- All data expected for processing are received and processed completely, accurately and in a timely manner.
- All output is delivered in accordance with business requirements

Measuring effectiveness



Measuring effectiveness





**Strategise &
implement**

Working out our response

- Need to know what are the critical weaknesses and focus upon those – there is little point fixing non-critical weaknesses when, for instance, there's no validity
- A combination of surveys and workshop might be useful to identify critical weaknesses and, perhaps, seek suggestions regarding possible responses

Common mistakes

- Jumping straight to the 'how' (technology solution) without knowing the 'why' (strategic alignment) and the 'what' (process needs)
- Underestimating the riskiness of 'big bang' compared to an incremental approach
- Producing accurate, timely and complete reports that are never used (poor validity) or are meaningless (low integrity & consistency)
- Not being prepared to just walk away

Why wouldn't I just buy a new system?

- Buying a new system can be risky (although this may be the only way to create a new platform to build upon)
- Frequently the problem is not technological – the problem is process or people-related (or even financial), and a new system won't fix that
- Sometimes the effort required is just not worth it

Other considerations

- Sometimes though, no matter how much lipstick you put on it, a pig is still a pig
- Some systems will just never work, or be too dangerous or unwieldy
- Consider the environment and the factors, with technology being your last consideration, before investing in a new system

Strategic alignment

- A statement of where the business is heading and what is important
- Business growth plans – are we focussed on Operational Excellence, Customer Intimacy, or Product Excellence

Regulatory compliance

- Data governance framework
- Role of the audit committee
- Governance calendar
- Compliance audit

Financial

- Fund software acquisition adequately
- Don't buy the software and cut down on the professional services – buy cheaper software if you need to and grow
- Insist on ROI, BUT include the intangible benefits

Process

- Information management
- Quality control framework
- Policies and procedures
- Service delivery methods
- Project management methods
- Know what is to be done, and do it

People

- Training
- Reports Interpretation
- Only write reports that are used and relevant
- Attraction and retention strategies
- Role sharing
- Outsourcing infrastructure management
- Reduce technical complexity

Technology

- Common Technology Framework – fewer technologies is better
- IT is often downside risk
- Single view of the truth
- Consistency and compatibility of technologies is most important
- Role of in-house development

What is our response?

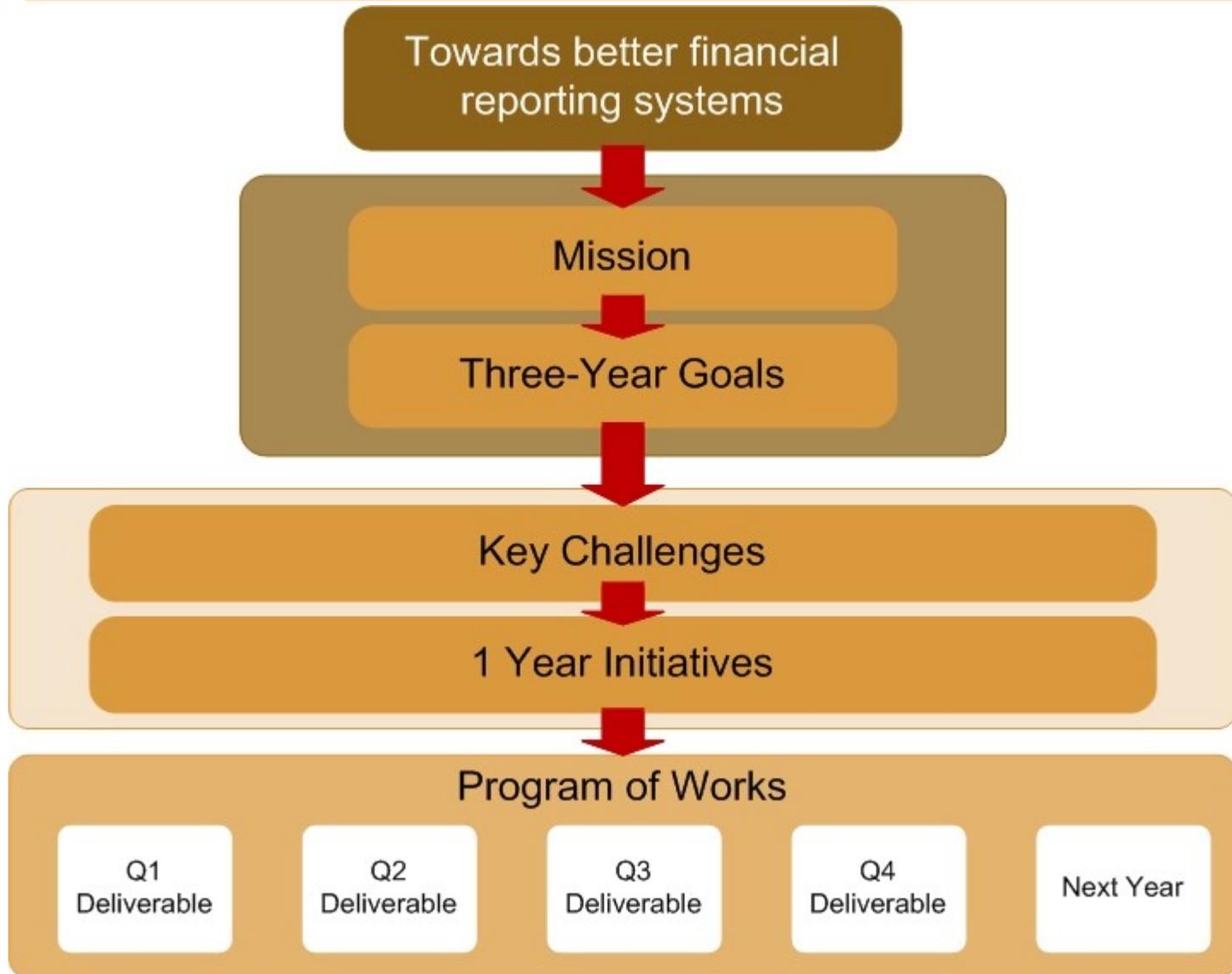
Towards better financial reporting systems

- Identify business strategy
- Set out the mission and objectives
- What are the three year goals?
- Identify one-year initiatives, broken into quarterly deliverables
- Aim for success in the long-haul

The most powerful force in the Universe – the force of habit

- Set out quarterly deliverables, monitored by weekly, monthly, and quarterly meetings
- Measure, feedback, and adjust

How do we build up and deliver strategy?





**Tracking and
monitoring efficiencies**

Process Metrics

- Relevant metrics will be unique to each business
- We tend to emphasise quantitative over qualitative or perceptual measures
- Qualitative is harder to get than quantitative (user survey or workshops) but is usually more informative – in context
- Can survey information consumers for perceptions around factors – qualitative is more relevant than quantitative, but is harder to get
- An example survey is available on my website, www.michealaxelsen.com, or by email upon request

Monitoring

- Regularly monitor over time
- Report to the right level (e.g. audit committee, IT steering committee, business manager, user group)
- Incorporate both qualitative and quantitative measures

Example metrics

- Count of incidents of non-compliance with regulations (Regulatory Compliance)
- Difference between source systems of defined concepts (Consistency)
- Data quality audit (Integrity)
- Count of system breaches (Security)
- Time for production of key reports (Timely)
- Percent of data input errors (Accuracy)
- Percent of updates reprocessed (Accuracy)
- Percent of automated data integrity checks (Integrity)

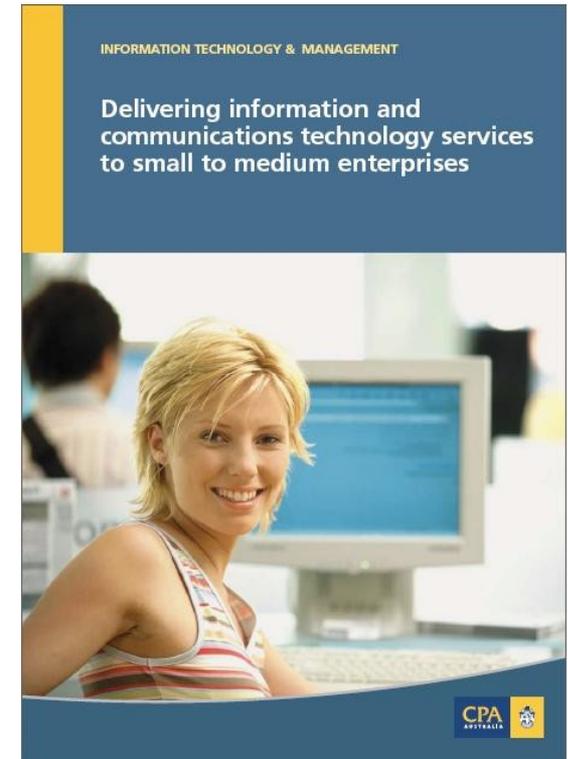
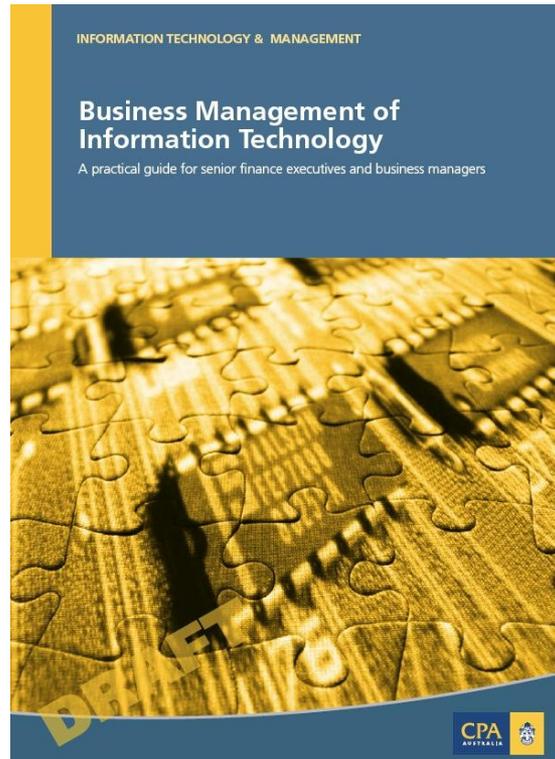
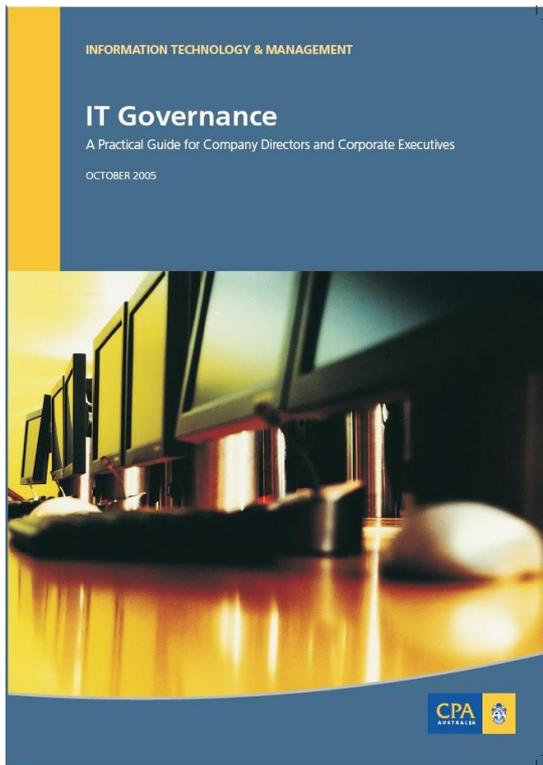
Example metrics

- Percent of errors prevented at the point of entry (Integrity)
- Number of independent automated data integrity checks (Complete)
- Interval between error occurrence, detection and correction (Timely)
- Reduced data output problems (Accuracy)
- Reduced time for recovery of archived data (Accessible)
- User satisfaction with data (Complete)
- Count of level 1 support calls (User skills)
- Count of level 3 support calls (Support skills)
- Time to vendor resolution (Vendor support)

CONCLUSION



Information Technology & Management Centre of Excellence



Forthcoming: Social networking policies & procedures

Summary

- Strategic effort must be appropriate to the impact
- There are six factors in achieving effective business reporting
- Diagnose the financial reporting system in terms of these factors
- Develop habits and a strategic plan to ensure success
- Track and monitor for sustainable improvement

More information

- The presentation and companion material is available at www.michealaxelsen.com
- Questions?





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Services

- Micheal Axelsen provides provides business systems consulting advice to clients to help them 'get their IT right' and to 'know what they know'
 - Strategy, IT services, & project review
 - Information management, business reporting, & social networking review

Position and qualifications

- Director, Applied Insight Pty Ltd
- Chair, CPA Australia Information Technology & Management Centre of Excellence
- Qualifications
 - Bachelor of Commerce (Hons)
 - Masters of Information Systems
 - FCPA (Specialist in Information Technology)