

Turn to Automation to Address the Growing Demands on Financial Reporting

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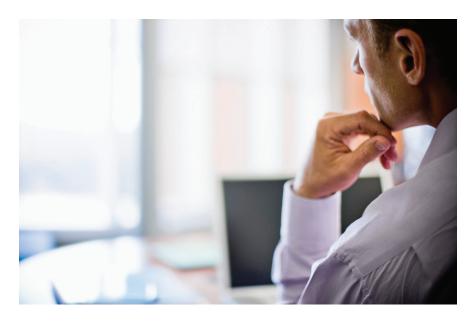
This essay is part of a series, *Controllers' Corner: Two-Minute Essays on Financial Management and Control*, which asks industry thought leaders for their opinions on critical issues facing today's finance organizations.

The current business and regulatory climate is demanding more transparency and insight than ever before. This has a direct impact on the office of finance, both as a leading stakeholder in financial reporting and in guiding the organization's decision making.

Q. What is the state of reporting today and where are the opportunities for improvement?

The credit crunch has put management reporting and control under the microscope once more. Legislators and politicians around the world have been quick to garner support for increased supervision and more transparent reporting. Whatever the outcome, the burden of additional work is likely to fall squarely on the shoulders of group finance. But how adaptable are financial reporting systems and can they cope with the extra demands?

Recent events show that reporting systems are surprisingly resilient. For example, the rigors of IFRS (International Financial Reporting Standards) were absorbed throughout



Europe without too much pain. Similarly, listed companies and those in regulated industries constantly adapt to the ebb and flow of new regulation and disclosure requirements. However, it is clear that maintaining this level of responsiveness relies heavily on finance staff burning the midnight oil. The efficiency of underlying processes, their adaptability and ability to scale remain concerns. Foremost among these concerns is the lack of automation in many finance organizations. Interfaces between operational (source systems) and group reporting systems are often manual, giving rise to errors which are difficult to identify, trap and correct. Underlying processes in the reporting supply chain are often poorly supported by enabling technology.



Reporting is a collaborative process and the distinction between statutory and management reporting is becoming increasingly blurred. Yet few implementations embed the workflow capability necessary to support efficient communications and the propagation of best practices. Collaborative technologies such as finance portals, instant messenger, task management, workflow tools and the ability to append commentary can all help to oil the wheels of the group financial reporting process.

There is also a place for more specialized applications to help manage data quality in the steps leading up to the period close. For example, reconciliation software is attracting interest as organizations grapple to exert sufficient control and visibility of inter-company processing and general ledger balances before attempting a consolidation.

The limitations of current reporting methods and the lack of automation are most obvious around the so called "last mile" of finance, which covers the preparation of the Board pack and statutory filings. The typical "last mile" process relies on an assortment of disconnected spreadsheets, Microsoft® Word files and PowerPoint® presentations, with little semblance of formal version control and nothing to underpin efficient document production.

Worryingly, the situation is likely to get worse before it gets better. The current focus on cash management and capital structures suggests that treasury management and reporting systems will become much more closely integrated in the future. Increased emphasis on regulation and compliance will encourage a tighter coupling between financial controls and financial reporting. Finally, governments' desire to subject tax systems and processes to the same rigor as financial reporting suggests that these will ultimately merge with the mainstream of financial reporting.

Overall, it is difficult to see how the quality and speed of both statutory and management reporting will not suffer unless organizations undertake a step change in underlying process support, involving collaborative technologies and greater automation.

About Gary Simon

Gary Simon is the Group Publisher of FSN Publishing Limited, Managing Editor of FSN Newswire and the author of many product reviews and white papers on financial software. Simon is a graduate of London University, a Chartered Accountant and a Fellow of the British Computer Society with more than 23 years of experience implementing management and financial reporting systems. Simon was a partner with Deloitte for more than 16 years and has led some of the most complex information management assignments for global enterprises in the private and public sector.

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