Quick Annual Reporting:
Within 15 Working Days
Post Year-End

by David Parmenter, CEO,
waymark solutions limited

Contents

1 Background

The year end process is part of the trifecta of lost opportunities for a corporate accountant. The other two being the annual budgeting and the monthly accounts processes. All three exercises keep the corporate accountant locked into processing and reporting leaving little time for added value activities. It is interesting to note that we seldom get thanked for preparing the annual accounts, for controlling the annual budget process or for preparing the month-end accounts.

While annual reporting is an important legal requirement, it does not create any value within your organization. Accounting functions therefore need to find ways to extract value from the process while at the same time bringing the annual accounts process down into a tight time frame.

Before you can have a quick year-end you need to speed up month-end reporting so staff are disciplined to a tight month-end. Your goal should be reporting numbers and comments by day 3, this paper also covers this area, albeit in outline only, as it is part of a separate course and whitepaper.

1.1 Leaving A Legacy

All corporate accountants need to leave a legacy before they move on, in other words have made a permanent improvement to the organization. Yet many corporate accountants are not producing enough added value to their organization, in other words they are failing to make a difference. I know this, from observation and my own personal experience. How many accountants, on leaving the organisation, receive an outpouring of loss from the senior management team and budget holders?

Most of us have done a good job as a processing machine, but little time has been invested in being a business partner to budget holders and senior management. This paper is an extract from my book "The 80/20 for the Corporate Accountant - implementing better practices from winning finance teams". The "quick year-end" and quick month-end practices are based around the wisdom and better practices of over 4,000 accountants who I have met through my workshops in Ireland, UK, Scotland, Singapore, Malaysia, Australia and New Zealand.

1.2 Getting The Balance Of Work Right

As exhibit 1.1 shows the change in focus should mean we are working smarter not harder. This change in workload will, over time, lead to the formation of a smaller but more experienced accounting team.

Exhibit 1.1 Getting the balance of work right

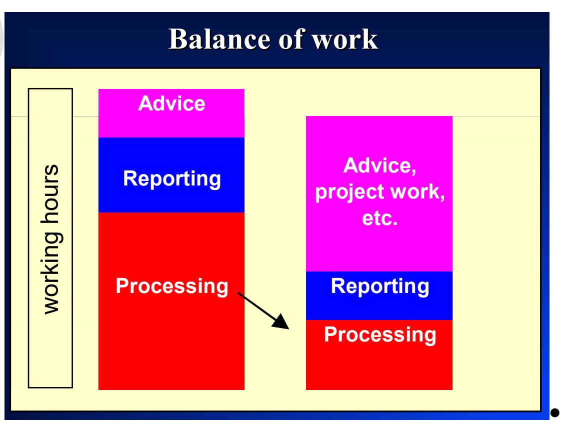
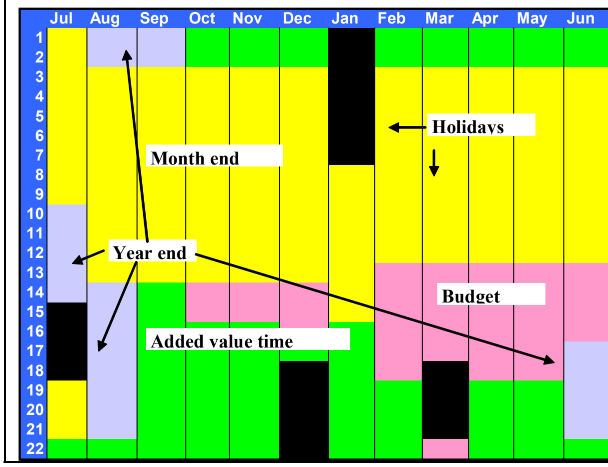
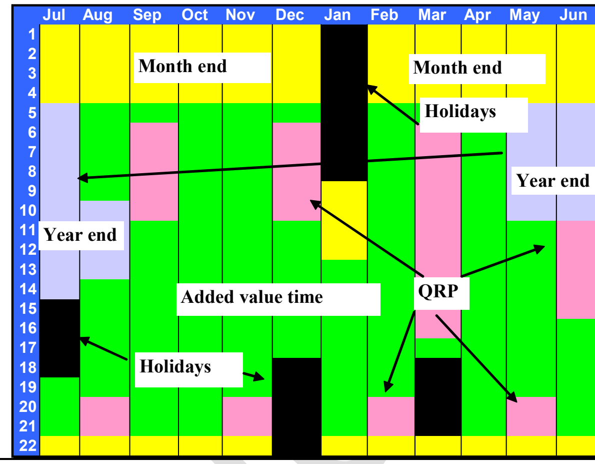


Exhibit 1.2 shows the impact of this shift away from processing into more service delivery work. The major change for the annual accounts process is the bringing forward of the work before year-end, enabling a quick signing of the annual accounts. The auditors will be auditing the results for the eleven months to date, but more of that later.

Exhibit 1.2 How the year's workload will change (based on a June year-end)

Average finance function planner	Leading finance function planner
	

1.3 The Costs Of A Slow Year-End

The costs of a slow year-end include:

- months where the accounting team are simply doing annual and monthly reporting – thus little added value created by the finance team in that time
- too much time goes into the annual report as we loose sight of Pareto's 80/20
- little or no client management during this time and thus bad habits are picked up by budget holders

> *"Accounting teams are often "hijacked' by the annual reporting process"*
>
> Quote from a CFO with blue chip international experience
>
> *"Given the amount of time this activity takes, the 80/20 rule still applies. Most organizations look at the annual report financials as being "special" numbers that they have reworked many times. There is absolutely no reason in 99% of the cases why the "first cut" of year-end for internal reporting should not be the same as the last cut for external reporting. Most adjustments are trivial and result in printing delays. The annual report comes out so late virtually nobody reads it anyway!*
>
> Quote from a CFO with blue chip international experience

There are many ways in which we can improve the way we do year-end, and they can all be grouped around three words, organization, communication and pre year-end work.

- organization - establishing an in-house audit coordinator, the working paper files, the deadlines etc.
- communication - communicating with both the auditors and staff
- pre year-end work – bring forward many year end routines earlier, such as cutting off at month 10 or 11 and rolling forward. This also includes preparing a comprehensive auditors' file saving the audit team considerable audit time.

In order to create a change in the way the SMT, Board and management address the annual accounts you need to establish what is the full cost of the annual accounts process including all Board, management and staff time and all those external costs (audit fees, printing costs, PR and legal fees etc). Exhibit 1.3 shows how to calculate the costs of an annual accounts. The times are estimates and show what a 300 to500 FTE public company may be investing in their annual report preparation. It does not include investor relations etc. The senior management team (SMT) has lower productive weeks in a year because you have to take out, in addition to holidays, training, and sick leave, the time they spend travelling and attending meetings.

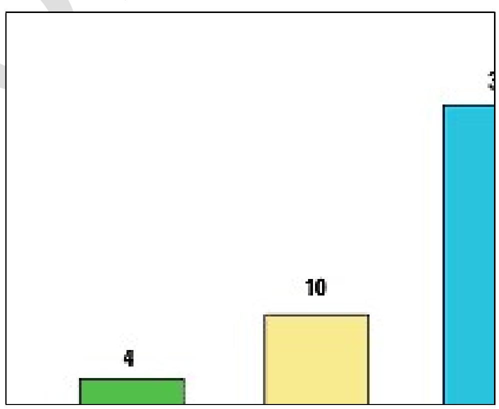
Exhibit 1.3 cost of the annual accounts process

	Accounting team	BHs	SMT
Liaison with auditors throughout audit	3 to 5		1 to 2
Planning audit	1 to 3		
Interim audit assistance	4 to 6	20 to 40	
Preparing annual accounts	2 to 5		
Preparing audit schedules	2 to 5		
Extra work finalising year-end numbers	20 to 30		
Final audit visit assistance	10 to 20	20 to 40	
Finalising annual report	10 to 20		5 to 8
Total weeks of effort	52 to 94	40 to 80	6 to 10
Average salary cost	$80,000	$55,000	$200,000
Average productive weeks	42	42	32
	Low	High	
Average personnel cost	190,000	$350,000	
Printing costs	45,000	75,000	
Audit Fees	45,000	65,000	
Estimated cost	280,000	490,000	

1.4 A Quick Year-End Is A Good Year-End

A fast year-end involves all business units within the group playing 'the same score'. At site level, top performers are managing a close within 4 elapsed days as shown in exhibit 1.4.

Exhibit 1.4 annual close at site level (Source: APQC)



In the US companies for a long time have been achieving very fast audited account deadlines. With great team work between the finance team and the auditors reported results inside 20 elapsed days post year end have been achieved. The following companies are famed for this achievement:

- Cisco
- Dell Computers
- Hewlett-Packard

- IBM
- Motorola
- General Electric

Compare this with the best in the UK where Imperial tobacco manage their audited year-end in 32 elapsed days (over 60% more time).

In addition to being quicker, the Hackett Group's studies show that world-class companies spend 45% less on their closing and reporting efforts than other companies, which the Hackett Group states saves, on average, $US5.5 million per $US1 billion in revenue. These savings come largely from needing fewer people and systems to scrub data.

Another benefit these organizations get is better compliance. PricewaterhouseCoopers report that "Consistent, self-auditing processes help companies more easily conform to regulatory mandates such as Sarbanes-Oxley by reducing the risk of errors".

Exhibit 1.5 shows a rating scale for the timeframe to have an audited and signed annual report (time from year-end date).

Exhibit 1.5 year-end reporting timeframes (from the year-end to signed annual report)

Exceptional	**Outstanding**	**Above average**	**Average**
Less than 15 elapsed days	15-25 elapsed days	26-35 elapsed days	36-45 elapsed days

Many top American companies report very quickly to the stock exchange, in my days as an auditor IBM was well known for its speed of reporting.

There are a number of benefits of a quick year-end and these include:

- better value from the interim and final audit visits
- improved data quality through improved processing
- reduced costs of both the audit and accounting teams time
- more time for finance staff to devote to critical activities such as analysis, decision-making and forecasting
- improved investor relations

> *"A fast close builds investor confidence. Investors are right to make the inference, that if the close is slow it means processes are broken. And if the processes are broken, chances are the data is broken."*
>
> Source CIO

1.5 Selling A Quick year-end Process Through The "Emotional Drivers"

Remember, nothing was ever sold by logic!! You sell through emotional drivers. Remember your last car purchase and how they sold the car to you! Many initiatives driven from the finance team fail at this hurdle because we attempt to change the culture through selling via logic, writing reports, issuing commands via email!! It does not work.

Before we venture to speed up the annual accounts we will need to sell the change to the SMT and Board. We need to radically alter the way we pitch a sale to the SMT and the Board. We first have to make sure we have a good proposal with a sound focus on the emotional drivers that matter to them. We then need to focus on selling to the thought leader on the SMT and Board before we present the proposal. This may take a couple of months of informal meetings, sending copies of appropriate articles, telling better practice stories etc to awake the interest.

It is worth noting that the thought leader of the SMT and Board may not be the CEO or Chairman respectively!! Having pre-sold the change to the thought leader watch, after delivering your presentation, how the meeting turns to listen to the thought leader's speech of support. Your proposal now has the best possible chance of a positive vote.

Here are some of the emotional drivers around the annual accounts process which you would use if selling the need for a quick year end:

- the huge cost associated with the annual accounts - estimate on the high side as costs motivate Boards
- the meaningless rewrites of the front section of the annual accounts when we all know few read the annual accounts
- the slower our annual accounts are, the more time we give the auditors to use hindsight to make changes we did not know about
- the costly diversion of resources and attention away from the operations in the first three months of the year
- little value is gained by the Board and SMT for all the time spent on the accounts
- a quick annual accounts makes a positive statement about the organization and is good for investor relations
- the close-off result by day 5 of the new year is often within 98% of the final result, so why all the extra need for hundreds of adjustments which set each other off.
- a quick year-end process will improve data quality through improved processing procedures

1.6 Establish year-end reporting rules within the finance team

I always point out to accountants that we are all artists. Each year-end we sculpt the result and it can never be the right number, as there is no such thing as a 'right' number, it can only be a "true and fair "number. If ten accounting teams prepared the year-end numbers for one company there would be ten different results. Each accounting team will have made different judgement calls, different calls on materiality, accruals and accounting treatments.

The finance team has to realise that they only need to do enough work to arrive at a 'true and fair' view. All work done after this point has been reached will thus not be adding value. We therefore need some rules that the year-end reporting (YER) should adhere to.

- YER should not be delayed for detail
- Month 12 numbers are the year end numbers
- YER can only be a true and fair view e.g. hunting for the perfect number is now unacceptable.
- The final year-end report will have extensive quality assurance checks to ensure it is free from any report writing errors
- Ban spring cleaning at year-end and allow adjustments offset each other "overs and unders"
- Spreadsheets will not be used for key routines, such as the consolidation

Year-end reporting is not the time for spring cleaning no matter how tempting it can be. This requires a re-education within the finance team and with budget holders.

3 Efficient Year-End Processes

3.1 Complete The Drafting Of The Annual Report Before Year-End!

It is desirable to complete the annual report, other than the final year's result, by the middle of month 12. This will require co-ordination with the PR consultant who drafts the written commentary in the annual accounts, discussions with the Chairman of the Board and with the CEO. Your last month's numbers will not greatly impact the commentary.

Also remember that nobody, I mean nobody reads the annual report. If you are a public listed company, the stock broker analysts rely on the more in-depth briefing you give them, shareholders in the main do not understand them, and the accounting profession just skim reads them.

3.2 Set up an "overs and unders" schedule and limit when changes can be made

Year-end is not a time for spring cleaning. We will apply the rules already mentioned. We will make the month 12 numbers the final – year numbers. The "overs and unders" schedule as shown in Exhibit 3.1, will be maintained, and we will record any major adjustments on this schedule. When the auditors arrive we had over the schedule and ask that it now contain all their and any other subsequent ones we find.

You will often find that adjustments have a tendency to offset each other. If the auditors find a major adjustment, look in the opposite direction and you no doubt will find another to offset it.

The changes for year-end should be as follows:

- Stage 1: Close of first working day (part of preparing the flash report for month 12)
- Stage 2: Day 3 when we finally issue month 12 results
- Stage 3: The morning when final audit starts so auditors have the bottom line number
- Stage 4: Final Tax entries
- Stage 5: Final audit agreement

Exhibit 3.1 An "overs and unders" schedule

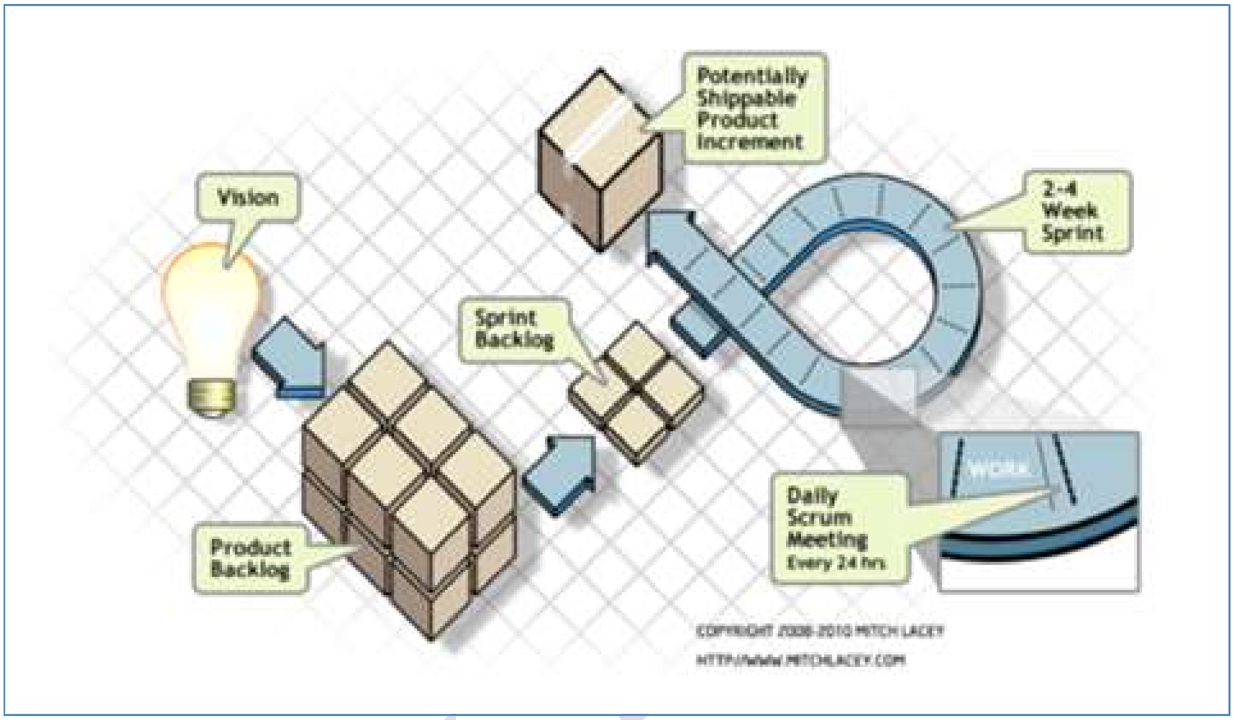
Source	Raised by		Adjustment			P/L impact		B/S impact	
						Dr	Cr	Dr	Cr
xxxxx	Pat	1	Dr		fdgdfhsdfhsdfhfgg ergergqerry ertyqe	45			
				Cr	fasd fasd as asdas d		45		
xxxxx	John	2	Dr		xxxx xxxx	10			
				Cr	xx x x xxxxxxxxx		10		
xxxxx	Jean	3	Dr		xxxx xxxx	25			
				Cr	xx x x xxxxxxxxx				25
xxxxx	Dave	4	Dr		xxxx xxxx		15		
				Cr	xx x x xxxxxxxxx			15	
		etc							
						80	70		
						-70			
					Net impact on P/L	10			

3.3 Hold daily SCRUMS with all accountants involved in the year-end

This is a technique that was developed to radically reduce the time it took to write new software applications. It recognized that teams, in very intense work periods, do not always function properly.

The features of SCRUM are best illustrated in Exhibit 3.2.

Exhibit 3.2: How SCRUM works



Instead of over planning one needs to have a clear vision of what you are after. With this shared vision you take a small chunk of work, saying, if we deliver this feature we will progress the project. We thus do not need a massive project schedule befitting an Apollo space programme.

On the year-end accounts those involved in the preparation would meet, every morning, for anywhere from 10-20 minutes in a stand-up meeting. The importance of a stand-up meeting is that it is quicker, as we are more alert. At each session, only attended by those who are currently involved in a year-end activity, are asked to talk about:

- what they did yesterday
- what are they doing today
- what are your road blocks which are barriers to progress

Their debrief is to take no more than a minute or so and some teams even have a dumb bell to be held out with the rule you can only talk as long as you can hold it up. The financial controller/ CFO, renamed the "scrum master" notes all the road blocks and immediately sets about removing them with an appropriate phone call or walkabout "Pat, please will you make time this morning to see my corporate accountant. I understand Sam has being trying, for the last few days, to meet you. This is now holding up the year-end and the CEO and auditors will soon be on mine and your back shortly if we cannot resolve the issue today".

At the end of the session the group end the session touching fists, a homage to the source of this technique.

This scrum does many things, it replaces loads of emails, as the team members get to know what has been done and going to be done and by whom. It makes everyone accountable. There is no place for a cruiser.

Visit Jeff Sutherland's YouTube presentation to understand more details. The following presentations will help you to understand more about this great technique.

YouTube videos worth viewing

- http://www.youtube.com/watch?v=aQrsVfjbQZ4&feature=related
- http://www.youtube.com/watch?v=2r1GYC04VHI&feature=related Jeff Sutherland part 1
- http://www.youtube.com/watch?v=1QbMRew-Olk&feature=channel&list=UL Jeff Sutherland part 2

3.4 Negotiate and plan for a sign-off by the auditors within 15 working days!

Most auditors have already signed a set of audited accountants quickly. Sometimes it is because the companies wishes to seek additional finance or want to be seen as a leading organisation. They have standard processes in these events. The benefits include:

- A level playing field - you have closed the numbers of quickly and they also have to report back quickly
- 'Any dirty washing is not hanging on the line' for very long – the auditors do not have the benefit of three to six months of hindsight to say "Why did you not find this? etc".
- It encourages good practices, using Pareto 80/20 rule, Post-it re-engineering of year end processes, a hard close on month 11 and so on.

3.5 Have A Month 10 Or 11 Hard Close

The larger and more complex the organization is, the greater the need for a hard close on month 10 results. All other organizations should go for a hard close at month 11. Effectively month 11 becomes the year-end with all major assets being verified such as debtors, stock and fixed assets. If a debtor's circularization is to be performed, this will need to be performed on month 9 or10 balances, thus allowing enough time for responses. Once the auditors have confirmed that the stock, fixed assets and debtors' balances are a "true and fair view", the auditors need only to confirm the movements of these balances in the remaining month or two.

3.6 Effective Stock Takes

Stock takes should never be conducted at any month-end let alone the year-end. There is no need as your stock records should be able to be verified at any point in time. It is a better practice to conduct rolling stock counts rather than one major count that closes all production. A well organized stock take includes the following:

- trained stock takers working in pairs, each from a different department, to enhance independence and thoroughness
- highlighting obsolescence stocks. These can be targeted in the preceding months to reduce the write down at year-end

- rolling stock takes throughout the year e.g. a jewellery company with a chain of stores counts watches one month, rings the next month etc. the stock takes occur in quiet times during the month
- ensures the stock area is tidied and organized before the counting to ensure a more accurate count `e.g. same stock items are together
- visible tags are added to counted items
- once the count has been done a good celebration is in order, this will ensure willing helpers on the next stock count.

3.7 Estimating "Added Value" In WIP And Finished Goods

Auditors can get lost in this area very easily, I did. On one audit it took me a couple of weeks of elapsed time tracing the WIP through its stages, using random samples.

In the second year it was suggested that I looked at how many weeks of production there were in WIP. This was ease to confirm, then how much direct and indirect overhead could and should be absorbed. The audit of WIP took two days!

Thus, help your auditors see the "woods for the trees" and provided working papers to support complex valuations such as WIP.

3.8 Effective Fixed Assets Verification

The key to better use of fixed asset register is all in the perception. Many organization see the fixed asset register as a necessary evil, thus little focus is given to really driving it properly. The rare few grab the opportunity and turn the FAR into a valuable system by:

- using bar codes on all assets so asset verification is a paperless exercise with a scanner
- setting higher capitalization levels are set than those stated by the tax authorities radically reducing the volume in the FAR– it is being recognized that a tax adjustment can be performed easily if necessary
- recording the maintenance for key plant and there expected lives so useful graphics of expected lives of key assets can be shown to management and the Board
- reducing the number of fixed asset categories, because every extra coding only serves to create more chance for miscoding, remember we are to apply Pareto's 80/20 rule!
- performing rolling fixed asset checks rather than do it all at one time e.g. verify equipment in the factory this month, head office computer equipment next month etc.

Following these steps will mean that the auditors will be able to successfully test the FAR and then rely on it for the correct asset cost and depreciation (amortisation).

3.9 Importance Of The Internal Auditors

The internal auditors can significantly reduce the external auditors work. Many organizations contract out this function to an independent firm. An in-house internal audit team will pay for themselves many times over by:

- Helping the use of efficient and effective procedures
- Providing a great training ground for new graduate staff
- Focusing on re-engineering exercises and other revenue generating or cost saving activities e.g. in an one week exercise most internal auditors would be able to save 5% off future telecommunication costs
- Providing the external auditors with all their main working papers filled out – they will know how to do this as they will have attended the external auditor's staff training courses

Larger conglomerates need to have a sophisticated communication system between them. Far too many finance teams are conned into thinking that they need to standardize the G/Ls for this. Yes, it will do the job, but at what cost? The primary beneficiaries are the G/L providers and the associated consultants who no doubt can now buy that second summerhouse, by their favorite lake.

The answer lies with accessing sophisticated intercompany software that enables an automatic interface for intergroup transactions where one party, to the transaction, does the entry for both G/Ls. This software, like the consolidation software, allows subsidiaries to keep their own G/L and account codes. Try this search intercompany+software. In a brief search I found the following intercompany software set out in Exhibit 4.2

Exhibit 4.2 Intercompany Software Offerings

Supplier	Website
Coprocess SA	www.coprocess.com
Intercompany Hub	www.blackline.com
IQMS	www.iqms.com

At the time of writing this edition a useful forum to seek answers from is supported by www.proformative.com

4.3 Fast Close Applications

There are applications that help with automation of reconciliations, workflow and coordination of multiple sources of information. It has been called continuous accounting. These applications increase the quality, accuracy, and efficiency of the financial close and other period-end activity. A section of applications are shown in Exhibit 4.3.

A good video to watch can be found on https://www.proformative.com/events/war-stories-fiscal-year-end-close-reporting-season-2016

Exhibit 4.3 Fast Close Applications

Supplier	Website
Hostanalytics	www.hostanalytics.com
Black line	www.blackline.com
CCH Tagetik	www.tagetik.com
Trintech	www.trintech.com

4.4 Collaborative Disclosure Management

This software ensures that you have one database that is the sole source of the truth. All reports, presentations and public documents are automatically updated from this software if the numbers have changed. It even recalculates any disclosed variances.

To produce external and internal reports one needs to gather data across systems and across Microsoft Word, Microsoft Excel, Microsoft PowerPoint files. Much information is passed back and forth over insecure channels, such as email, until the report is complete.

Disclosure management software will help you:

- Have one version of the truth.
- Allow you to harness the “wisdom of the crowd.”
- Provide commentary and numbers which are all internally consistent.
- Speed up year-end accounts, planning and forecasting, board presentations and reports.

I consider it unprofessional for a finance team, in an organisation with over 400 FTEs, to report to a board and shareholders in any other way. Insert into your search engine "Collaborative Disclosure Management +YouTube" and listen to some talks on the topic. In a brief search I found the following CDM software set out in Exhibit 4.4.

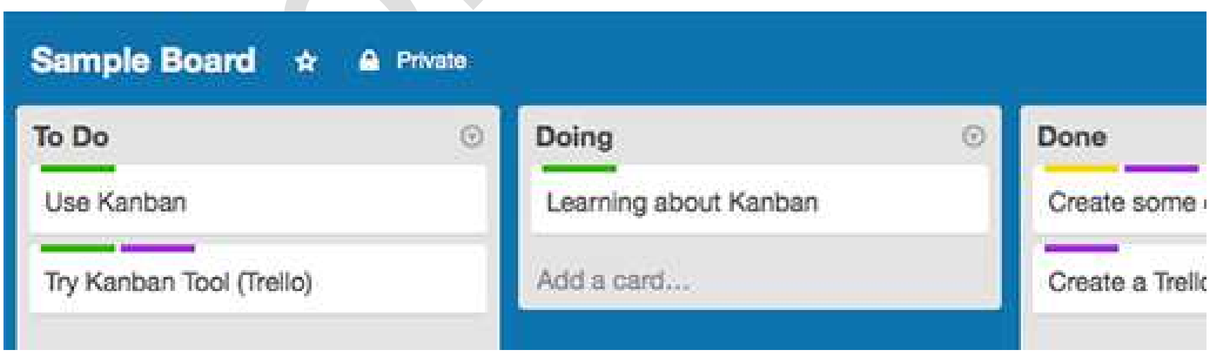
Exhibit 4.4 Collaborative Disclosure Management Software Offerings

Supplier	Website
Workiva	www.workiva.com
hostanalytics	www. hostanalytics.com
Tagetik	www.tagetik.com
IBM Cognos	www.ibm.com
Hyperion	www.oracle.com
SAP BusinessObjects	www.sap.com

4.5 Project planning software using Trello

A Trello board is a list of lists, filled with cards, used by you and your team. Trello is a task management app that gives you a visual overview of what is being worked on and who is working on it. It uses a Kanban board, which was developed in Toyota as a system to keep production levels high and maintain flexibility. Traditionally the Kanban board is best represented as a whiteboard filled with post-it notes. Each post-it represents different tasks involved in the project.

Here's what doing the same thing in Trello would look like:



Trello creates a system that allows for individuals or teams to track a project and collaborate or contribute where they can be most useful or where it is most needed. This software would benefit annual reporting as well as month-end and annual planning processes.

For how we effectively use Trello for project management, visit https://wpcurve.com/trello-for-project-management/

5.3 "Last Mile" Information Handling

The efficient marshalling of information post consolidation is vital and is known as the "last mile" in annual reporting. In the last mile there are PDF files, spreadsheets, PowerPoint slides, word documents and email communications all of which provide input in the notes to the annual accounts. It is important that they are accessible to all those in the 'annual accounts team' rather than residing in individual's email inbox and C drive.

5.4 The Way Forward

There are a variety of actions that need to take place. They include:

- slaughter the chart of accounts by establishing tight rules on the chart of accounts, in all entities by establishing the 1% rule for expenditure and the 3% rule for revenue, explained in the next section.
- have a forum where all senior management accountants meeting from around the world to discuss the adoption of better practices from winning finance teams
- acquire an inter-company software where one party does the accounting for both parties regardless of the general ledgers they are both running
- acquire a consolidation package
- acquire or set-up in-house a system to trap, centrally, all information flows in the 'last mile'

> *A fast-close project at **Henkel** took a giant step forward when managers at the $13 billion maker of toiletries, home-care products, and industrial goods began using Web-based software for inter-company reconciliations. "Having Web-enabled software for inter-company reconciliations is a great way to let managers anywhere in the company see their receivables against the liabilities of their partners within Henkel," "The software — combined with tougher guidelines in terms of what the 280 reporting units are allowed to book and when — has really reduced the obstacles that were slowing down our closing process."*
>
> Matthias Schmidt, vice president of financial planning and controlling

5 Speeding up the Reporting Supply Chain

In order to achieve a fast year-end Excel has to be replaced by 21st century systems. There are several potential areas to consider if an organisation is to yield substantial time savings in the reporting supply chain (RSC).

The main areas to tackle here include:

- data capture from reporting entities (including minimizing their returns)
- mapping to group systems and control
- "last mile" information handling

5.1 Data Capture From Reporting Entities

For those of us who have reported to Group Finance in an international conglomerate will know that the "reporting pack" was designed by a rocket scientist without any regard to materiality. Endless pages of data are gathered and sent, most of it meaningless. 'It could be useful to have this', 'better ask for that in case I might get a question' etc. The result is hours upon hours spent around the world gathering this data which, by the way, is never used by the subsidiaries to manage their business!

How did this happen? Firstly, the CFO delegated the task, and then took little or no interest in the eventual monster. They may of stated " the reporting pack looks a bit large", "Are you sure you need all of this information?". Secondly, nobody ever calculated the data gathering process and compared it against the benefit / usage. If this task was done common sense would have eventuated. Thirdly, there are seldom effective forums for management accountants in the subsidiaries to challenge those in head office by saying "why do you need this", "pray tell me what you do with all of this?"

The chart of accounts also creates problems. Jeremy Hope of beyond budgeting fame in his recent book[1] talks about leading companies having less than 50 buckets for the P/L expenditure. These companies recognize that it is far more efficient to delve into these buckets when you need to than have a myriad of codes which increase the miss-postings exponentially.

> *"Collecting data from subsidiaries has always been fraught with difficulty. The heterogeneous nature of the many global businesses, reflected in their diverse operational systems and chart of accounts, has acted as a significant drag on the reporting supply chain (RSC) as group finance grapple with a multitude of different systems interfaces.*
>
> Gary Simon, author of "Fast close to the Max"

5.2 Mapping To Group Systems and Control

Commonly the mapping of data from reporting entities involves extensive manual procedures, spreadsheets, the batch transfer of files all of which introduce the potential for serious error along every step of the way. It is often very difficult to spot these errors that have a nasty habit of rearing their ugly head during the final audit!

In addition, the scope for mistakes increases by the number of entities involved and the frequency of changes in the group's reporting pack, brought about by management accountants having 'rushes of blood to the head' and the need to meet regulatory changes.

[1] Reinventing the CFO by Jeremy Hope Harvard Business School Press ISBN 1-59139-945-9

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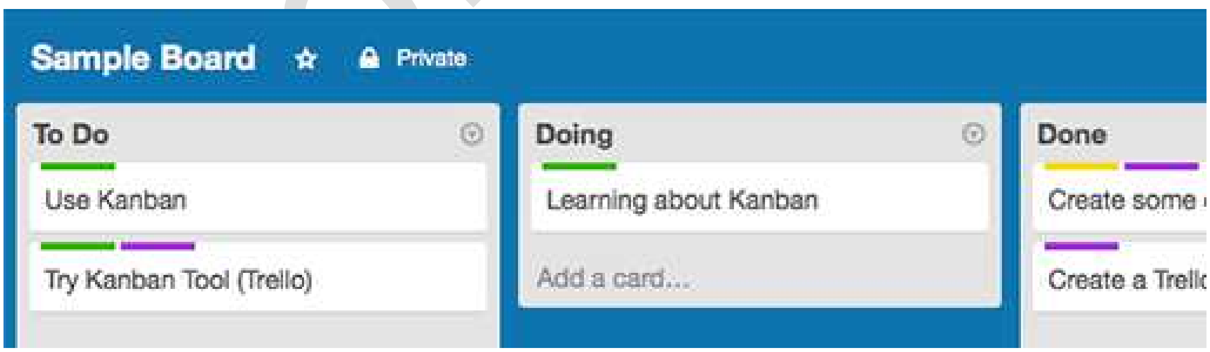
SAP BusinessObjects	www.sap.com

4.5 Project planning software using Trello

A Trello board is a list of lists, filled with cards, used by you and your team. Trello is a task management app that gives you a visual overview of what is being worked on and who is working on it. It uses a Kanban board, which was developed in Toyota as a system to keep production levels high and maintain flexibility. Traditionally the Kanban board is best represented as a whiteboard filled with post-it notes. Each post-it represents different tasks involved in the project.

Here's what doing the same thing in Trello would look like:



Trello creates a system that allows for individuals or teams to track a project and collaborate or contribute where they can be most useful or where it is most needed. This software would benefit annual reporting as well as month-end and annual planning processes.

For how we effectively use Trello for project management, visit https://wpcurve.com/trello-for-project-management/

5.3 "Last Mile" Information Handling

The efficient marshalling of information post consolidation is vital and is known as the "last mile" in annual reporting. In the last mile there are PDF files, spreadsheets, PowerPoint slides, word documents and email communications all of which provide input in the notes to the annual accounts. It is important that they are accessible to all those in the 'annual accounts team' rather than residing in individual's email inbox and C drive.

5.4 The Way Forward

There are a variety of actions that need to take place. They include:

- slaughter the chart of accounts by establishing tight rules on the chart of accounts, in all entities by establishing the 1% rule for expenditure and the 3% rule for revenue, explained in the next section.
- have a forum where all senior management accountants meeting from around the world to discuss the adoption of better practices from winning finance teams
- acquire an inter-company software where one party does the accounting for both parties regardless of the general ledgers they are both running
- acquire a consolidation package
- acquire or set-up in-house a system to trap, centrally, all information flows in the 'last mile'

> *A fast-close project at **Henkel** took a giant step forward when managers at the $13 billion maker of toiletries, home-care products, and industrial goods began using Web-based software for inter-company reconciliations. "Having Web-enabled software for inter-company reconciliations is a great way to let managers anywhere in the company see their receivables against the liabilities of their partners within Henkel," "The software — combined with tougher guidelines in terms of what the 280 reporting units are allowed to book and when — has really reduced the obstacles that were slowing down our closing process."*
>
> Matthias Schmidt, vice president of financial planning and controlling

6 Quality Assurance

6.1 True And Fair View And Error Free

I always point out to workshop attendees that if we took one organization' s year-end financial information and gave it to all the finance teams present at the workshop to work on, no one team would get the same year-end result. All the "net results" presented by those teams would all be different, as the accountants would have made different calls on materiality, depreciation, and accounting policies.

I say to the attendees that we are all artists, not scientists; we sculpt the numbers. Thus once we have reached what we consider a true and fair view, we should cease to review or adjust the numbers any further.

6.2 Ban All Late Changes to the Reports

Once the month twelve numbers have been issued to the Board teams should continue with recording any adjustment found in the relevant "overs and unders" spreadsheet mentioned earlier.

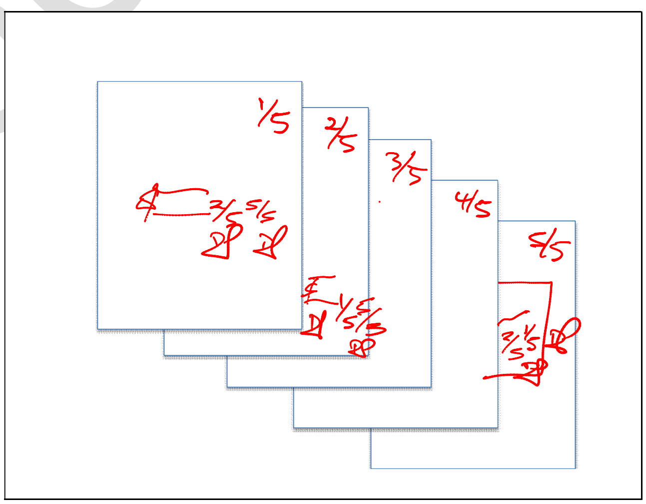
No changes are permitted to the numbers reported to the Board until the entire review has been completed. The accounting team can then assess which adjustments are worthy of processing. As many have no P & L impact, they would be held back for adjustment in the first month of the following year.

Once the annual accounts is prepared, no adjustments are allowed unless they are very material. There is nothing worse for the finance team than to submit the annual accounts finance report to the CEO that is inconsistent. This is frequently caused by a late change not being processed properly through the report. As night follows day, the CEO will be sure to find it. I am sure many readers have been guilty of this one.

6.3 Cross checking all numbers for internal consistency

Mark all pages with a number, 1 of 8, 2 of 8 etc, see Exhibit 6.1, and then for every number that appears elsewhere write the page reference, by the number, and initial to say "I have checked this number in the subsequent page and it is right". This QA document should be left around so the CFO and CEO see it one day. When asked what all these references and red ink is you say, "This is the QA we do every time we issue a report to you". You will score a goal.

Exhibit 6.1: Cross checking all numbers for internal consistency



Letter to the Auditors who signed off quickly

Dear xxxx

Re Year-end sign-off

I would like to comment on the exceptional skill your staff have demonstrated during the audit. Your co-operation in a swift audit has been most beneficial and has freed up time to focus on making this year, a good year.

I would also like to thank you for your 'balanced' management letter which celebrated the areas where we have improved as well as commenting on areas for further enhancement. We can report that we have already made good progress in the suggested areas.

Should you need a reference please feel free to give potential clients my direct dial number.

Kind regards

xxxxxxx

CFO

20. Commence restructuring of finance team from processing to value added.	☐ Yes ☐ No
21. AP and accruals cut-offs before month-end.	☐ Yes ☐ No
22. Interview key users to determine information requirements.	☐ Yes ☐ No
23. Develop concise decision based reports.	☐ Yes ☐ No
24. Cease issuing large computer print outs.	☐ Yes ☐ No
25. All key systems upgraded to be on-line real time.	☐ Yes ☐ No
26. Removed duplicate data entry.	☐ Yes ☐ No
27. Removed manual reconciliations.	☐ Yes ☐ No
28. Budget holders trained, encouraged and told to analyze their figures during the month and taking corrective action for miss postings etc.	☐ Yes ☐ No
29. Management accountants assigned to clients budget holders.	☐ Yes ☐ No
30. Accounting team composition changes with more CA's being added replacing clerical staff.	☐ Yes ☐ No
31. Bring management meetings to the third working day after month end, effectively locking in the benefit.	☐ Yes ☐ No
32. Adopt a continual focus on process improvement e.g. every month some new change is implemented to improve processing	☐ Yes ☐ No
33. Set up league tables or "shame and name" listings allowing natural competition between sectors to reduce errors (nobody likes being on the bottom).	☐ Yes ☐ No
34. Start counting errors e.g. Motorola went from 10k errors for 700,000 to 1000 per 2m events	☐ Yes ☐ No
35. Have used "post-its" re-engineering.	☐ Yes ☐ No
36. Allowing subsidiaries to keep their own accounting systems (where a migration would not be cost effective).	☐ Yes ☐ No
37. Closing on the same day each month (4,4,5 reporting periods per quarter).	☐ Yes ☐ No
38. Closing-off capital projects one week before month-end.	☐ Yes ☐ No
39. In last week only essential operating entries are processed.	☐ Yes ☐ No
40. Accepting a level of accuracy between 5-10%.	☐ Yes ☐ No
41. Issuing a flash report by end of first working day.	☐ Yes ☐ No
42. Pushing processing back from month end by avoiding having payment runs, inter-company adjustments etc. at month-end.	☐ Yes ☐ No
43. Re-focus of "variance to budget" reporting to YTD variances which are more stable, or better still to latest forecast for the month.	☐ Yes ☐ No
44. Limit budget holder commentary.	☐ Yes ☐ No