Smart Compliance

Reinvent statutory reporting as the foundation of an information-driven business

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Introduction

The reality of modern finance is that everyone wants to know your business. Whether you are a private company or publicly listed, government body or third sector, the range of demands on your data has never been greater. Statutory filings, self-regulation, shareholders and stakeholders all want their version of what's happening and when, and they don't want to wait to get it.

This presents a significant challenge to the modern finance professional, pulled in one direction by management and partners seeking richer insight into the business today, and in the other by complex requirements for reporting the past. Necessary as compliance work may be, it doesn't contribute directly to the bottom line.

For the modern finance function, sustainable success in this context cannot be achieved by relying on traditional methods.

Benefits of Automation

The term 'automation' carries with it unpleasant connotations: automation means fewer people. But with the current level of demand on the finance function, the reality is that without automation it might be impossible to employ enough good people. Skills are at a premium already, and the finest minds are unlikely to be engaged for long in the drudgery of dated processes. In our experience, poor processes and an unwillingness to move beyond manual processing results in a higher turnover of good quality staff.

This presents an enhanced risk and further increases the time requirement for any compliance exercise. By contrast, an automated compliance process carries a host of benefits:

Free Up Human Capital	Reduce Risk	Greater Transparency	Operational Readiness

Free up human capital

Automating core compliance processes releases good people to do work of more direct value to the business's bottom line, working with partners across the organization to deliver enhanced insight, or looking beyond the budgeting cycle to analyze the future.

Good people tasked with these more engaging roles should be more likely to stay with the organization. And an organization that offers such opportunities is more likely to attract the best and brightest.

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Reduce risk

Automated compliance is never rushed. The system is never tired, or under pressure. Put simply, a system is less prone to mistakes. And the system won't leave, taking all its knowledge with it. How much of your core compliance processes is stored in the head of a few staff? It's a frightening thought for far too many finance leaders, and a serious risk to the integrity of far too many organizations.

When compliance functions are automated, you can know you are compliant 24/7: there's no audit to be completed to confirm this fact, giving you and the management team permanent peace of mind.

Greater transparency

Trust is an increasingly valuable asset in a globalized economy where partnerships are crucial, and customers have an endless array of options at the other side of a computer screen. In the public and third sector, the ability to be open and transparent with stakeholders can be crucial in securing support and engagement.

Automating compliance provides robust data to the organization at all times, giving the confidence required for a much greater level of transparency.

Operational readiness

Though compliance itself may not add to the bottom line, the processes it requires can be complimentary to the growing requirement for rich, near-real-time data about operational performance.

Smart compliance is a state, not a process: at any time, regulators could take a snapshot of the organization and see all of the evidence they need without additional work. This 'state' approach has additional benefits: the organization is always in a state of readiness for corporate activity. M&A, due diligence, etc. are all much smaller jobs of work, speeding execution.

Steps to Smart Compliance

Handling compliance in a 'smart' fashion is not just about technology. Rather it is about addressing issues of data and process. Technology may be the means by which you implement changes, but the decisions are about structure and process.

These are some of the key steps to consider.

STEP 1	STEP 2	STEP 3	STEP 4
Making Data Accessible	Creating and Maintaining Reports	Automating Report Completion	Verifying Source Data

Making Data Accessible

Any automated process is going to require programmatic access to data. That means that data can't be locked up in multiple spreadsheets distributed around the business. Though these can notionally be used as a data source, the reality is that they will not provide a reliable and robust source of information.

One of the first steps many organizations take when beginning the move away from spreadsheets is to look at specialist applications. Dedicated applications for specific types of reporting will provide some controls and sophistication, and are certainly a step in the right direction away from reliance on spreadsheets. However, they can prove to be a technological and operational 'dead-end'. Rather than data being siloed in spreadsheets, it is siloed in specialist applications. Each new step along the journey will require a new, specialist application which is unlikely to communicate with all of the others.

If your organization is beginning a true journey to build a properly modern finance function, then the optimum route is to consolidate data into a single system. This may be either a dedicated accounts/accounting system or general ledger, or the company-wide ERP system or data-warehouse. While the former approach addresses most fundamental problems with access to source data, perhaps the latter offers a more scalable, long-term approach, that will see the easier integration of applications across the enterprise.

Creating and Maintaining Reports

Each group of rules and requirements is likely to require its own report format as part of the compliance process. Creating appropriate reports to the different regulator's requirements can be a challenging process in its own right.

Some are limited to the formats that their accounting systems puts out. Adaptations to this are manual and painful. In this case, the spreadsheet is often the marginally better option: one or two spreadsheet-wizards within the business will be tasked with building a sheet or two that meet requirements. Unfortunately, this is a time-consuming process, and these people are often valuable. Since it may only be an annual exercise, much of the knowledge that went into the sheet's original production may have evaporated. Or worse, the member of staff who built it may have left.

At a certain scale, businesses may have analyst resource tasked specifically with report creation. These reports may largely be for management information, but the skill set isn't dissimilar to matching the requirements for a compliance report, so they may be re-tasked to this end. But securing this resource when it is relied upon by the C-suite can be a time-consuming and painful exercise in itself.

The optimum approach is to leverage a shared data pool to build repeatable, reusable reports in an appropriate application. Unlike a spreadsheet these reports will be persistent and robust. The design process shouldn't require any 'wizardry', allowing different members of the team – perhaps even outside finance – to build reports, and to do so much more quickly.

In this case, the maintenance of reports is also much simpler. Tweak the fields on a spreadsheet and every link can break. Specialist applications may need updates from the publisher. But using a CPM application over a robust shared data resource, tweaks can be made quickly and confidently.

Automating Report Completion

In the final case, when the time rolls around to submit the report again, the template will be there, and there will be no need to go and gather the relevant data: the report is automatically populated with the latest data.

This contrasts strongly with more manual approaches. Whether driven by spreadsheets or specialist applications, there is usually an element of manual fettling required each year. And as noted above, if the designer of the spreadsheet has left, this can create serious problems. The whole process may need to be restarted.

Automating the whole process cuts the risks of errors and inadvertent manipulation, and ensures that valuable personnel do not need to divert effort away from manual tasks.

Verifying Source Data

A report is only as sound as the data on which it is based. Here again, spreadsheets and specialist applications can cause problems. They may draw on static data sources, and validate all of the sources from which they draw can be time-consuming, requiring confirmation with other users each time the report runs.

Centralizing source data allows much more rapid verification.

Conclusion

Automating compliance functions are the first step in building a truly modern finance function. A solid foundation on which to build a more future-ready enterprise.

Automation frees resource and diminishes risk. These benefits alone provide the basis of a sound business case for the centralization of data and the implementation of general purpose financial applications like Corporate Performance Management, which can add value well beyond the compliance function.

Wherever you are on your journey to building a modern finance function, consider how smart your compliance processes are today. Could you reduce risk further? Could you save more time? And if you could, what value could you add elsewhere in the business with the time saved?

About Prophix

Prophix develops innovative software that automates critical financial processes such as budgeting, planning, consolidation, and reporting—improving a company's profitability and minimizing its risks. Thousands of forward-looking organizations in more than 90 countries use software from Prophix to gain increased visibility and insight into their business performance.

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