Fast month-end reporting

Month-end reporting is not the time for spring cleaning, it is a time for arriving at a true and fair view quickly. **David Parmenter** begins a three-part series that explains how

If each month-end is a disaster waiting to happen, full of last-minute adjustments negating the 'quality assurance' (QA) work you performed earlier and leaving the month-end exposed to a late error, then you and your team need some therapy. Here are the changes you need to make.

1 Get the CEO's support
Do a brief calculation on the costs of month-end reporting, then approach the CEO and say: 'We have just done some calculations that estimate we will spend between £8m and £10m over the next 10 years reporting results after the horse has bolted. I want to undertake a project to speed up month-end reporting, giving you access to numbers much quicker and saving over £5m in the next 10 years. Can I count on your support?' There is not a CEO on the planet who will not respond: 'How can I help?'

Ask the CEO to phone those responsible for major breaches of procedures and issue a one-minute reprimand making it clear that full cooperation is expected in future and non-compliance will be career-limiting. All breaches should be reported weekly to the CEO – invoices over £10,000 with no raised order, non-receipting of goods and services over £10,000, budget-holders with over three months of outstanding expense claims, etc.

2 Set rules for the finance team Accountants are all artists: we sculpt a month-end result and there is no such thing as a 'right' number, only a 'true and fair 'number. The finance team need only do enough to arrive at a 'true and fair' view and stick to some rules:

* We will not delay for detail.
* Hunting for the perfect number is now unacceptable.
* The final report will have extensive QA checks.
* Reporting will cover only major revenue and cost categories, with account code analysis left to a drill-down tool.

3 Ban spring cleaning
Month-end reporting is not the time for spring cleaning, no matter how tempting it may be. This discipline requires a re-education within the finance team and with budget holders.

One of the most important practices is to catch all material adjustments in an 'overs and unders' spreadsheet that traps major adjustments – say, over £5,000, £20,000 or £50,000, depending on the size of the organisation. The accountants enter all adjustments on the spreadsheet, which resides on a shared drive on the local area network. In most months you may need to process just one or two adjustments as the rest will offset each other and can be processed in the quiet time the following month.

4 Avoid late adjustments
Clever organisations ban all inter-company adjustments at month-end except for major internal profit adjustments. They have automatic interfaces with inter-group transactions where one party does the transactions for both general ledgers.

When there is a difference, lay down a rule that the accounts payable (AP) or accounts receivable (AR) ledger is always right, and adjust accordingly, leaving the inter-company parties to sort it out the following month. This change will require a CEO directive to all subsidiaries. ■

NEXT STEPS

1. Sell the change to the CEO using their emotional drivers (see my earlier article *The magic of marketing*, available at **www.accaglobal.com/ab34**).
2. Get all the finance team to sign up to your new rules – I will send you a draft copy of the rules if you email me (**parmenter@waymark.co.nz**).
3. Set up and operate an 'overs and unders' schedule every month-end.

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