

Close, Consolidate, Report Performance Blueprint



Financial consolidation is fundamental to performance management

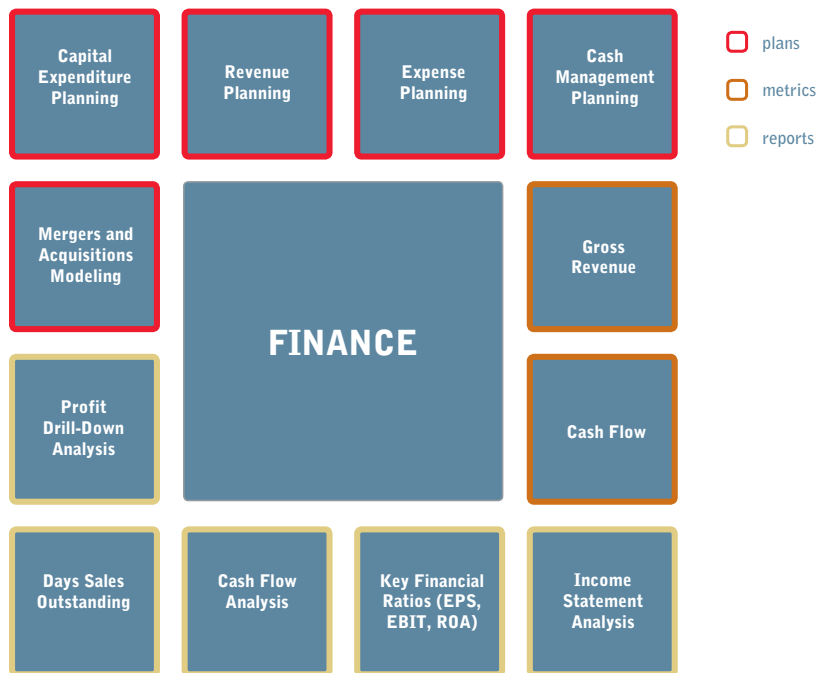
Financial consolidation is fundamental to managing corporate performance. It enables an enterprise view of financial information that provides insight into performance as a whole and serves as an alert system to variances from plan. Executive management uses this information to understand performance as well as to run the business.

However the challenges facing organizations to collect, process and share certified financial information are putting enormous stress on people and systems – first generation systems – that are no longer up to the level of compliance needed in today’s modern world.

The accuracy required for sharing financial performance information with external stakeholder communities such as regulators, shareholders, and financial analysts.

And the complexity necessary for a fast close process coupled with financial controls to deliver compliancy for international standards (e.g. IFRS and US GAAP) is increasingly difficult for today’s complex companies.

THE IBM COGNOS SOLUTION MAP



Systems renewal in Finance

To meet these challenges companies are realizing that the performance systems they have in place are disconnected, unable to collect, prepare, and process information.

The delivery of information in all forms for timely decision-making still requires lots of manual effort, data searching, and late night efforts to provide even a small amount of critical detail.

The information fed by planning and consolidation systems, and supported by enterprise reporting, are some of the most critical to run the business.

IBM Cognos® solutions and Deloitte understand the pressures finance organizations are under.

Performance Blueprints offer the visibility and control you need to change direction and meet goals with confidence. The Blueprints offer the ability to identify trends, to adapt, and to proactively address change— both internal and external—quickly and effectively.

Developed for a wide variety of functions and industries, Performance Blueprints are predefined data, process, and policy models based on proven best practices in financial management and control or enterprise planning.

THE IBM COGNOS SOLUTION MAP



Introducing the IBM Cognos Close, Consolidate, Report Performance Blueprint

Deloitte combines accounting, planning, reporting, and regulatory acumen with performance management best practices and systems experience, enabling organizations to be top-quartile performers. Organizations that have implemented IBM Cognos performance management solutions with Deloitte have benefited in several ways:

- Improved data integrity and reporting accuracy in an increasingly complex environment.
- Improved financial transparency to performance results enabling greater management control.
- Shortened planning cycles dramatically.
- Realized rolling forecast capabilities on a monthly basis.
- Enable finance and accounting to allocate more time to analyzing the business and less time administrating spreadsheets—without adding additional headcount.

The *Close, Consolidate, Report Performance Blueprint* is designed to unite best practices and best technology.

The documentation and alignment of financial controls in concert with financial consolidation and reporting technology provide necessary compliance while optimizing the close process for maximum efficiency.

The *Close, Consolidate, Report Performance Blueprint*:

- Provides a roadmap to identify gaps and opportunities in your financial close process.
- Delivers a set of processes and activities to optimize efficiency and effectiveness in your close cycle.
- Streamlines compliance by mapping each step in the Close, Consolidate, Report (CCR) process to control activities that achieve over 30 regulatory control objectives based on the Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework.

The *Close, Consolidate, Report Performance Blueprint* leverages the extensive risk and control knowledge capital gained by Deloitte over years of assisting hundreds of companies. It enables organizations to implement a new consolidation system, as well as design and document the associated controls that lay a solid foundation for compliance.

Integrated Performance Management

Where does Close, Consolidate, Report fit in a company's overall performance management cycle?

Integrated Performance Management creates value by combining technology, information, controls, people, and process through all stages of performance management.

This leads to:

- Improved decision making
- Improved performance
- Managed market expectations

Intervene, Plan, Measure (IPM)

Deloitte has identified leading practices within each key process, moving towards world-class IPM practices that will create real value for your organization.



Financial Consolidation and Corporate Reporting: The Changing Business Environment

In the current global business environment, consolidation and reporting are challenging. Because of ever-increasing complexity, doing “business as usual” using outdated, ineffective processes and tools is a shortcut to disaster. And simply automating dysfunctional processes is of minimal value.

Smart companies:

- Integrate management and statutory consolidation and reporting across processes and systems.
- Apply accepted best practices supported by cutting-edge technology.
- Leverage reporting and analysis platforms for enhanced management and corporate reporting.
- Boost shareholder confidence by improving on external reporting cycles and degree of transparency.

The goals of improved process and technology are to:

- Mitigate risk during implementation phase.
- Increase efficiency in the financial consolidation process.
- Increase effectiveness in the corporate reporting process to improve information quality
- Secure a higher return on investment



Why is the Close, Consolidate, Report Proces so Difficult?

In the last few years the Financial Closing and Reporting process at many companies has become extremely complicated. This has been largely due to numerous changes to how people, processes, and technologies are managed in today's business environment — a sample of these key changes, with their high-level impacts, are listed below.

SIGNIFICANT CHANGES	PEOPLE	PROCESS	TECH	IMPACTS
Business models have become more complex and reporting processes have not kept pace with these changes.	●	●	●	Complex processes that have been addressed with manual spreadsheets, heavy reconciliations, and disparate systems.
Mergers have created organizations with disparate systems and multiple business models to report on.	●	●	●	
Trend has been to decentralize to improve responsiveness and encourage entrepreneurship. Has reduced the degree to which companies have had standardized processes.	●	●		
Tax strategies and globalization have created multiple statutory and regulatory requirements for financial information.		●		Closing processes that evolved rather being designed.
Point solutions continue to be implemented to address specific industry or operational needs — these solutions do not always integrate with the main financial reporting system.			●	Intense competition for internal working capital dollars.
Demand for information continues to increase as the tools become more sophisticated.			●	

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Close, Consolidate, Report: Why Care?

Transparency

Information is simplified and standardized to make it easily understood

Management provides a line-of-sight view to business drivers

Timeliness

Information is provided rapidly following period completion Near real-time

information is available to investors

Accuracy

Data provided represents the true picture of performance Few if any restatements occur

Reliability

Performance tracks with expectations

Continuous planning provides managements and investors ability to react to changes in the business environment

Finance is a significant source of value for most companies, helping enhance strategic decision-making, organizational performance, and shareholder value in an increasingly competitive environment. Yet in spite of these additional contributions—or perhaps because of them—finance finds itself under more scrutiny than ever. Accounting scandals grab headlines, prompting strict new regulations and pushing the issues of financial controls and reporting to the top of the agenda for executives and investors alike. To optimize the performance and balance of these roles and disciplines, the CFO must:

- Formulate and execute effective, appropriate processes and controls.
- Govern through cohesive, unambiguous structures, roles, and responsibilities.
- Define and measure performance on an ongoing basis
- Leverage technologies and tools to drive information recording and dissemination.
- Become an “integrated” contributor and partner to internal and external stakeholders.
- Lead the identification and evaluation of critical business information.

1. Financial consolidation and reporting is difficult, with data often in disparate, non-integrated systems. In a recent study, Ventana Research found that the average number of in-place ERP systems was 4.3, with the median between 5 and 7.

2. Consolidation systems are spreadsheet-dependent. First-generation consolidation systems, ERP systems, and legacy home-built systems are typically band-aided by spreadsheets, supporting data collection, calculations, and reporting in non-connected, non-secure environments.

3. Regulatory requirements are greater than the systems that support them. The propensity for business change including currency rules and minority interests, amidst all the existing and evolving financial standards adds an extra twist to the difficulty facing these older systems

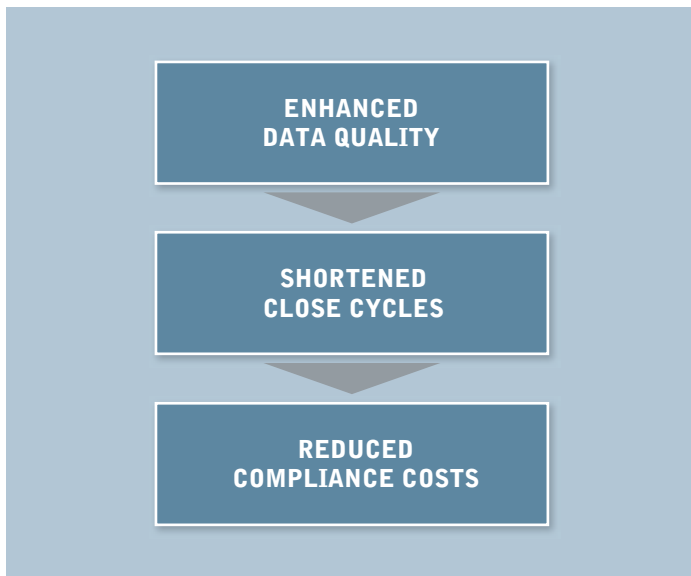
4. Organizations lack supporting documentation and a well-defined set of controls. Most processes rely on Microsoft® Excel® and Microsoft Outlook® to track and trace documentation, notes, reports, approvals, and all forms of control—if controls are in place at all. Supporting a manual set of controls is risky, and audit costs for maintenance are high.

Turning challenges into value

Automated process and application controls serve to enhance data integrity and process efficiency by reducing overall human intervention.

Shortening the close cycle based on leading practices, enables management to focus on value added activities to enhance business performance.

Compliance costs for the CCR process can be reduced by 50 percent or more by focusing on controls design and configuration, comprehensive solution documentation and exception reporting.



Value drivers are supported by controls

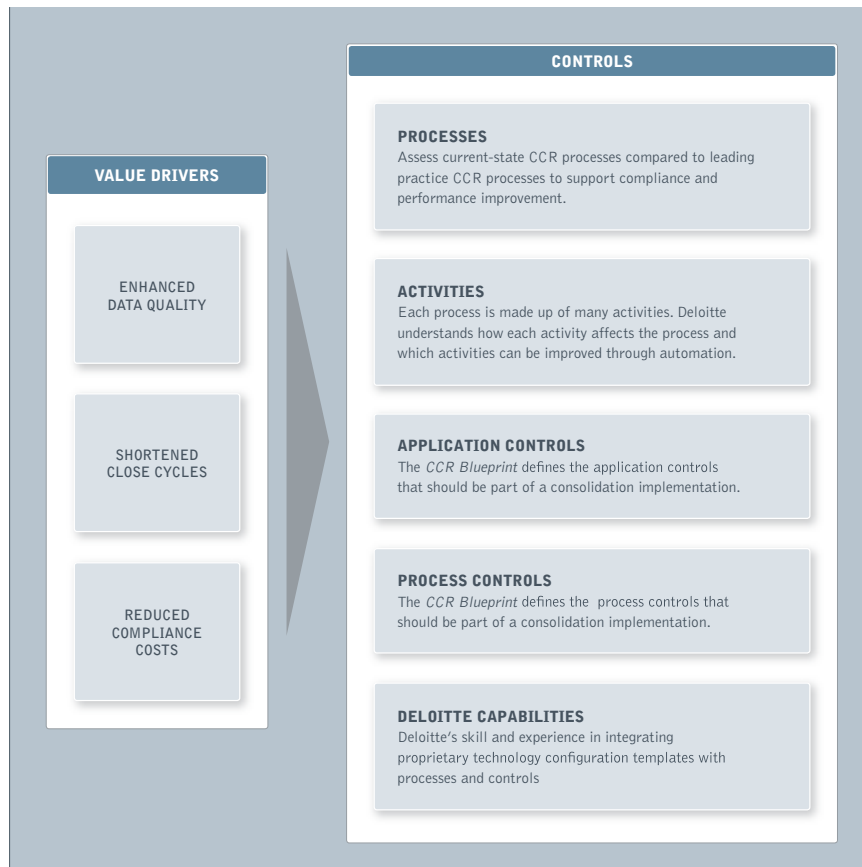
So how can the CCR Blueprint bring value to your organization?

Deloitte's ability to integrate technology, processes, and controls provides a comprehensive value-adding CCR cycle. It leverages processes with application controls that reduce compliance costs and improve process efficiency and effectiveness.

By clearly identifying the main- and sub-processes related to the close cycle, inclusive all of required steps, tasks, and activities, a roadmap is clearly laid out. Companies can assess where they are now and where they need to be to increase integrity and accelerate cycle-time.

Deloitte understands how each activity affects the process and which activities can be improved through automation. Controls perfectly aligned with the process are identified for ensuring accuracy, providing checkpoints, and clearly documenting approval and authority at each point along the way. Process and application controls bring technology and best practices together.

And finally, there is Deloitte's unique knowledge and experience in designing and delivering proprietary configuration templates that support critical controls.

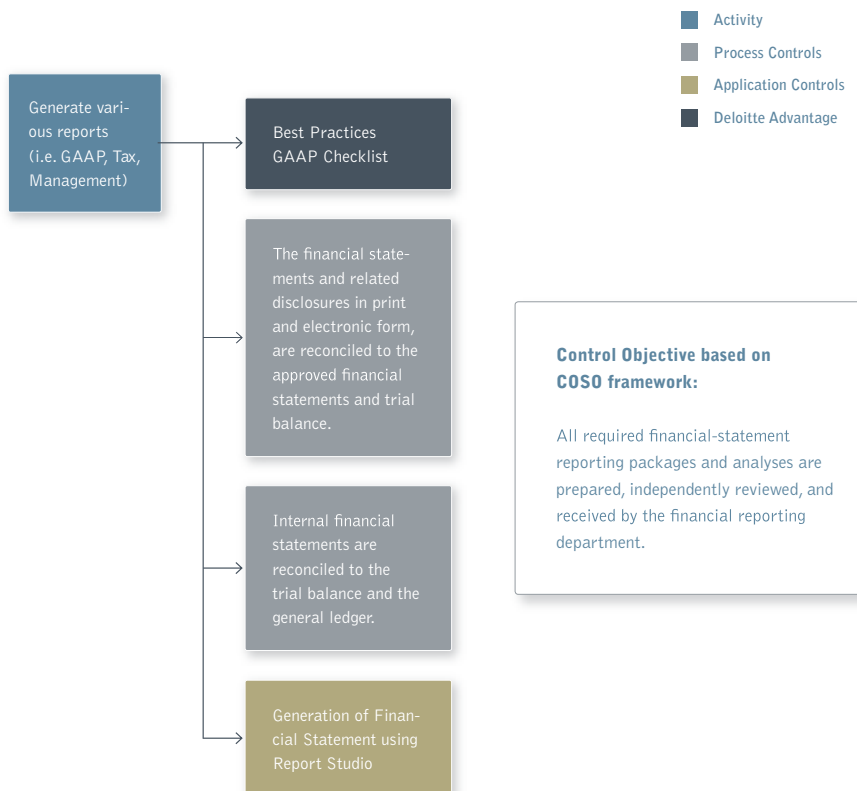


Performance best practices: Leveraging the Close, Consolidate, Report Blueprint for Performance Reporting

Best-practice companies boost shareholders confidence by constantly improving their external reporting cycles and degree of perceived transparency. Those same companies ensure that statutory consolidation is aligned with management consolidation and corporate reporting, in both process and systems.

The *Close, Consolidate, Report Blueprint* combines best practices and solution capabilities to support financial and corporate reporting:

- Reduces risk and speeds solution deployment by delivering pre-defined reports for statutory and performance information.
- Integrates financial consolidation and performance reporting.
- Delivers financial reports tailored to needs of external stakeholders.
- Distributes enterprise-wide financial and performance reports based on audience information needs.



Management and Financial Control

To summarize, the key benefits of using the CCR Blueprint in your organization:

- It provides a road map to an implementation of a consolidation system, including the necessary process and application controls.
- It provides comprehensive documentation for the CCR process that can be used for internal controls attestation without any further significant effort from client resources.
- It identifies key controls in the CCR process and facilitates compliance therefore reducing the risk of material misstatements in financial reporting.
- Increased use of automated controls provides greater data integrity and saves SOX resource costs and team effort for testing.
- Streamlining the CCR process according to best practices and control activities ultimately shortens the close cycle providing more time for value-added activities.



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About the IBM Cognos Innovation Center For Performance Management

The IBM Cognos Innovation Center for Performance Management is dedicated to the understanding, adoption, and implementation of next-generation planning and performance management practices. It is a consortium of industry leaders, practitioners, thought leaders, forward-looking executives, and technology experts experienced in, and committed to, the advancement and successful application of technology-enabled performance management best practices. The Innovation Center seeks to assist organizations in optimizing the alignment of their plans, processes, and resources with corporate goals and strategies.

About IBM Cognos BI and Performance Management

IBM Cognos business intelligence (BI) and performance management solutions deliver world-leading enterprise planning, consolidation and BI software, support and services to help companies plan, understand and manage financial and operational performance. IBM Cognos solutions bring together technology, analytical applications, best practices, and a broad network of partners to give customers an open, adaptive and complete performance solution. Over 23,000 customers in more than 135 countries around the world choose IBM Cognos solutions.

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