40 50 CONSULTING
FINANCIAL REPORTING EXPERTS

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Editorial

Dear readers,

Our section „Focus on" outlines the perspective of Board and Auditors in this issue. Their respective control activities may be effectively supported by integrated design of financial reporting data.

Our section „Project Hiccup" is again looking at practical problems incurring in projects: Shortfalls and the requirements of day-to-day business often conflict with agreed project implementation tasks within a matrix organisation. Please read how consistent project management will identify such conflicts without delays and how it will arrange for commonly accepted solutions for such conflicts.

We welcome your feedback. Please contact

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News

Electronic Invoices

The Tax Simplification Act 2011 accords the same legal status to both electronic invoices and paper invoices. In addition, EU Directive 2014-55-EU obliges public contracting authorities and entities to accept and process electronic invoices. The Directive has to be implemented by 27 November 2018 at the latest. Beforehand, it must be transformed into national law, though. The text of the Directive is available here: http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32014L0055 .

The Forum elektronische Rechnung Deutschland (FeRD) (forum for electronic invoices in Germany) has developed a layout for invoices that will allow the exchange of structured invoicing data between invoicing party and accounting office. The final data model, version 1.0, may be downloaded here: http://www.ferd-net.de/front_content.php?idcat=255.

Focus on: Requirements on Financial Reporting – The Board's and Auditor's Perspective

Supervisory Board and Auditor review the management from different perspectives and with different objectives. A smartly designed financial reporting will support both parties in their duties.

Requirements of the Board
The Board requires actual data and reports that illustrate the correlations of the business development. Furthermore, they should effectively support the supervisory tasks of the Board. Furthermore, the Board uses plan and budget data in order to derive and monitor the strategic position of the organisation. Plan and budget data will be complemented by regular variance analyses. Last but not least, the Board checks and approves the financial statements. To do so, the Board requires data and reports that enable the Board members to judge the true and fair view of the financial statements.

Requirements of the Auditor
The Auditor requires access to the single business transactions in order to verify their correct recognition in accounting. He checks if all statutory conditions on financial reporting are met.

Similarities and Differences
Both Board and Auditor check the appropriate presentation of business development as well as the compliance with statutory reporting requirements. However, the two bodies start from different poles of data aggregation: The Board will usually focus on checks of aggregated reports and will ask for detailed data as additional explanations where necessary. The Auditor, on the other hand, will start auditing on the level of individual business transactions. He will also review their appropriate aggregation to financial statements and explanatory notes.

Implementation in Practice
The requirements outlined above illustrate the importance of a consistent structure of reports: Reports should always use the same categories and groupings – for all addressees of the various reports. Only consistent structure will enable smooth and automatable aggregation and refinement of reporting levels. In a perfect world, specific information out of the financial statements may be broken down to the underlying business transaction by the famous "few clicks" - without studying mapping lists or executing manual adjustments.

The same principle applies to the linking of actuals with plan and budget data. Here, an integrated design is vital as well in order to be able to run direct comparisons of plan or budget data with actuals whenever required. Of course, this is also the need of Management. However, the Board is reliant on such stringent reporting in order to fulfil their monitoring and advisory tasks in an effective way.

Project Hiccup

Pitfall: Unexpected Shortfalls in Project Implementation

Work packages will be prepared in accordance with given time schedules and resource planning in project implementation. Hence, project targets will be achieved. This is easy in theory, but in practice not quite smooth.

A frequent problem incurring in the project implementation phase is that HR or material resources that were firmly committed to the project fall unavailable all of a sudden, either regarding the agreed time or the agreed scope or both. The reason for that often is shortfalls in day-to-day business that need to be mitigated first.

This conflicting situation is typical for a matrix organisation. It may be alleviated as follows:

Detailed Planning at Beginning of a Phase

Resource conflicts incur very often at very short notice. Project participants normally have good will to provide the agreed expenses. However, once the contribution is due, things turn out differently than planned. Staffing shortfalls or urgent tasks, which have popped up recently, will tie up capacities, which are then not available for the project any longer.

Planning of the due work packages at the beginning of a phase will consider the prevalent conditions of the organisation at that point. Such planning may assign the then available resources to the upcoming tasks. Appropriate prioritisation will allow the timely preparation of time-critical work packages. Hence, it may avoid additional shortfalls in the future. But it will not create additional capacities.

Cause Study

Planning kept up-to-date certainly considers delays due to shortfalls, but will not be able to level them out completely. Thus, any delay must be communicated immediately, once it has been spotted. Just hinting towards it is not sufficient at all.

Instead, the project manager together with the team manager has to identify and analyse causes for the delay. Justifications like “We just need few more days” are inadequate and are hence not acceptable. The project manager and the team manager must identify the reasons for the delay and any steps required and suitable to make up those delays. Delays may be caused by HR shortfalls, unexpected technical problems that cannot be solved by the team because of lack of required skills, preference of day-to-day business and many more. Hence it is vital to clearly carve out causes and potential mitigation measures.

Escalating Problems and Conflicts

Delegating problems and conflicts to the appropriate decision-maker is as important as analysing causes and preparing solution approaches. The project manager normally reshuffles conflicting priorities within the project phase by himself. If the conflict is involving also staff not assigned to the project, the project manager is obliged to address the conflict to the Steering Committee immediately and to request their advice. The Steering Committee may opt for higher prioritisation of project tasks compared to day-to-day business, the provision of additional HR or material resources or the re-scheduling of due dates or for any other potential solution.

Involving the appropriate responsible (senior) managers will lay the foundations for speedy project implementation.

Recommended Reading

Evolution of EPSAS

Dr Astrid Kreil-Sauer, founder and Managing Director of 4050 Consulting GmbH, has drawn up the recent evolution of EPSAS (European Public Sector Accounting Standards). The paper "EPSAS: Harmonisierung der öffentlichen Rechnungslegung in der Europäischen Union" has been published in Rechnungswesen & Controlling – Das Steuerungshandbuch für Kommunen (ed. Böhmer/Kegelmann/Kientz), group 6, Haufe Verlag, Freiburg 2015, p. 1-24.

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