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IFRS Today

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EPISODE 6 TRANSCRIPT

Achieving a smooth year-end reporting process – Learning from the interims

Speakers

- Esther Oomen
- Peter Carlson
- James Bowe (Host)

Host

Hello again and welcome to episode 6 of *IFRS Today*, KPMG's podcast series on IFRS and financial reporting.

The topic under discussion this time round is preparation for year-end reporting. The interims were complicated by the new major standards on revenue and financial instruments but thankfully they're all now done and dusted! But what now? What steps can companies take to make sure they're fully on track come year-end? How can they deliver the best possible report for themselves and their stakeholders?

To talk around some of these questions and offer some tips, I am pleased to have with me two KPMG colleagues…

First up, Esther Oomen – an audit partner at KPMG in the Netherlands. She's joined by Peter Carlson – Global Accounting Change Leader, formerly of KPMG Australia and now also on board at KPMG's International Standards Group.

Thank you both for joining us on *IFRS Today*…

First, Peter, what would you say that group financial controllers getting ready for year-end reporting need to have front-of-mind as they get to grips with the task ahead?

Peter

Thank you, James.

I think the first obvious point is: "Don't stop". The interim report may be complete but there's clearly much more to be done.

So when the interim report was issued, some within an organisation might have thought, "The transition to IFRSs 9 and 15, that's over… this is good" – when in actual fact companies still have a lot to do to really embed and explain the changes. And we mustn't forget that IFRS 16 – the new leases standard – will be effective on 1 January 2019, so in a matter of months more extensive disclosures about leasing will be mandatory…

So reporting teams need to keep their foot on the gas in terms of preparing for the new standards. Everyone involved needs to be on this same page.

Of course, it's important to really understand the starting point and how you build on that from what's been said at the half-year. That is crucial. Look at the controls you put in place – are they still fit for purpose?

But it's also important to understand what will be different in the annual report, as it will bring its own challenges.

Esther

I couldn't agree more, Peter. It's the time now to think about what needs to be addressed for year-end while bearing in mind your experience on the interims.

And this is the time to really assess what sort of condition you were in. Ask yourself what was disclosed. Were any workarounds applied? What went well? And what didn't? How can you address any of these shortcomings?

The challenge here is to make sure that all the learnings from the interim stage are really put into practice in the year-end reporting.

So, anything to add to this Peter?

Peter

Well, I think based on what needs to be considered it is important to maintain consistency and high quality.

So in working towards this, it's really important you can demonstrate that you've been consistent in both your message and your application of the new rules between the interim and the year-end. Stakeholders will be looking for quality, certainty and clarity.

It may be, for instance, that workarounds or specific controls were deployed to get you through the interims. You should build upon this interim work and if there is some point of difference, then this needs to be clearly explained and supported. Getting this wrong may have consequences.

Esther

Absolutely. You need to be open and transparent now so you don't face any issues later on…

And as part of this, clients need to be mindful of how the market is responding to the information they are providing.

So, what kind of questions are shareholders and analysts actually asking? What is being written in those analysts' reports that needs to be taken into consideration towards year-end?

And not to forget, Peter, companies should make sure they've covered all the elements identified in their risk assessment in their year-end reporting. This should really be an iterative process… Do you agree?

Peter

Yes – I do agree, and I think you really need to assess what is left in front of you to deliver from here and to help you do that you need a clear road map to year-end. That's vital.

Our discussions in recent months indicate that the volume of disclosures required at year-end is perhaps the greatest sleeper issue that's going to confront our clients. Lots of companies are yet to grasp the magnitude of this issue. Incomplete or confused information will impact the market's perception of the quality of that information that your business discloses.

Esther

I agree, Peter. The key to getting this right is to look at your performance alongside your peers.

So, how did your interim disclosures compare to others in the market? And what communication needs to be made between now and year-end to smooth out the picture you present? All of this doesn't just happen by accident – it takes planning and a properly joined-up approach to reporting.

So, make sure you can demonstrate that all your controls and your processes are working and get ready to communicate what you conclude as early as possible with your auditors as well.

Peter

Thanks, Esther. I think the overall message here is really that management should be ready at the year-end to do this next and final push. Think about the impact on your reputation and standing in the market if you slow down now.

So building on what Esther has said there, I think you need to focus on practising tight project management.

As we've said, some parts of the entity may have returned to business as usual – e.g. your sales people and your transaction people. They'll be focused on their tasks. But the task for the financial reporting team is, of course, not over yet.

So it's vital that the required resources and the expectations of shareholders, stakeholders etc. are managed without compromising the overall quality of that reporting.

Esther

That all makes sense to me but, at the same time, getting the basics right in the year-end reporting process is just as big a priority… And in my experience, that's where many clients fall down. Too many struggle on and allow themselves to be distracted by the day-to-day during this stage.

From an internal perspective, clients need to not lose sight of the fact that good project management is critical for them to perform well in this area. There are big things going on elsewhere but a clear prioritisation is really needed as well as sufficient resources to do the job properly.

Peter

Yes, Esther I absolutely agree and I think if we sum up, we would say here are the main dos and don'ts…

- Don't stop – The interim report may be complete but there's clearly more to be done.
- Do maintain that focus on consistency and that push for high quality.
- Do assess, and have a plan about what you need to deliver to get to that final annual report.
- And finally – Keep a tight rein on project management. That will be crucial.

James, over to you.

Host

OK, thanks Peter and Esther.

It sounds like there's plenty that companies can do now to pave the way for a smooth year-end reporting phase. You have both raised some really interesting points.

Thank you all very much for taking the time to listen to our podcast. Look out for the next podcast, to be released in the coming weeks.