

# Best Practice Guidance Notes

## Guidance Note 5

As part of the Institute's ongoing efforts to provide members with guidance and information on key issues, the Institute has developed a Best Practice Guidance Notes series which presents guidance for members written by members.

'The reporting manager needs to keep track of progress against the plan and be ready to respond as and when deadlines and deliverables start to slip.'

### Top Tips

1. Focus on the end outcome: certain procedures will be dependant on the completion of others
2. Be flexible and willing to adapt: some aspects of the plan may need to change
3. Prioritise tasks appropriately for example ensuring other teams are not held up, especially when there are different time zones to consider
4. Don't forget the forecasting: results will often be accompanied by expectations for the future period
5. Ensure that a checklist is used for all financial statement cross references
6. Circulate the financials widely for review and ensure 'fresh eyes' are sought for assistance
7. Be mindful of and ensure that the team understand that the financial result is market sensitive information
8. Ensure there is a clear process for approving late adjustments
9. Keep a running list of unadjusted errors throughout the process
10. Ensure that other public information such as the Chairman's address are checked for consistency of information

## Project managing the year-end: execution

If finance teams were in a Broadway production, the arrival of year-end is "show time". No more time for rehearsals, the spotlight now shines squarely on the numbers. It's not the time to get stage fright but the perfect opportunity to implement a well considered and thought out plan.

This guidance note is the second of a two part series which seeks to ensure finance teams give their best performance at year-end and emphasise the importance of a detailed debrief process once the main show is over.

### Elements of a good year-end: execution

#### 1. Achieve milestones

To ensure the year-end process remains on track, it is critical that milestones are met. This obviously flows back into the planning phase to carefully define the task and set the appropriate timeframe.

This is not an easy task and often requires an element of trial and error over a period of time to find the right balance. The reporting manager needs to keep track of progress against the plan and be ready to respond as and when deadlines and deliverables start to slip.

#### 2. Close out the issue

It is now time to close out unresolved issues and give a final sign-off on any draft positions held. It is advisable to review all issues that have been addressed in light of the actual year-end to either update or reaffirm their conclusion. Where appropriate, this may also involve the external auditors and/or other professional advisors finalising their advice and position on certain issues now that the year-end has approached. Ensure that late adjustments are processed with enough time allowed for an appropriate level of review, as processing adjustments to the financial statements in the end stages is fraught with danger.

#### 3. Regular communication with stakeholders to avoid surprises

Keeping the audit committee, regional/divisional teams and/or other stakeholder groups informed through regular communication (eg: weekly or fortnightly updates) promotes a "no surprises" approach to reporting. It provides a two-way communication channel to receive prompt feedback as issues emerge and are addressed. This is important to sound out views when new issues arise and inevitably, when delays occur in some tasks (in practice, this is an accepted fact of life that must be managed).

#### 4. Roll forward of the 'hard close'

If you have undertaken a detailed hard close, the actual year-end process should be focused on rolling forward the results of the last month and implementing the key decisions made. This should streamline both the month-end and year-end process so that the books can be closed off and all the numbers can be locked down. This will then allow more time for finance teams to analyse and interpret the numbers so that senior management can understand their meaning.

#### 5. Early engagement of senior management

The earlier a draft of the annual report and financials is provided to the CEO and board, the better. Dealing with board and management queries the night before releasing results and making adjustments late in the process without appropriate levels of review may lead to embarrassing errors. Don't be too concerned if some notes are outstanding when early drafts are distributed for review. An early draft that is 95 per cent complete is better than a draft that is distributed for review too late.

# Best Practice Guidance Notes

(continued)

## Top Tips

1. Don't forget about completing the income tax returns either for each legal entity or as part of a tax consolidated group
2. Check the information in the analyst packs, media releases and other information for consistency with the annual report
3. Ensure there are team members set aside to review the printer's proof
4. Ensure that issues and opportunities for improvement are noted along the way for actioning post year-end
5. Supporting workpapers should be reviewed as late adjustments will be difficult to explain the next period if final referencing has not been completed

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## Elements of a good year-end: the debrief

The post year-end period is defined as that point in time where the company's annual report has been signed and the results have been released. The finance team has given its best performance and you should feel relieved. It's time to stand back, take a deep breath but remain "on stage" to ensure that improvement opportunities are identified and lessons learned.

### 1. Stakeholder debrief

The regular contact with your stakeholder group(s) may have helped to create a stronger relationship. It's important to maintain the momentum by conducting a debrief session with each to discuss the good and bad points of the year-end process. The debrief can help to identify improvements to be made when planning for the next reporting period. Conducting an early debrief (eg: within 1-2 months after sign-off) is more time critical for those listed entities with half year reporting where a scaled down process will occur again shortly around the release of the interim results.

### 2. Carry forward issues

For those unresolved issues that will be carried forward, work should continue to bring them to a final resolution (if possible, in time for the next reporting season). Alternatively, the issues should be monitored regularly so that they remain within the risk management parameters that have been set. While it may not be a reality to resolve all issues, it is possible to manage them effectively and minimise their impact on the year-end process by keeping on top of them in this post period as a lead into next year's preparation.

### 3. System integration and reporting changes

It seems that each year the company annual report contains new disclosures and additional information requirements. These need to be assessed for the permanency in the annual report, and if so, they should be incorporated into the year-end process and monthly process (if applicable) to ensure they become business as usual.

### 4. Follow up on the detail

Once the company annual report is released, there may still be the need to close out the accounts for subsidiary entities. It is at this stage that it becomes important to identify whether you have any unadjusted errors at the group level that need to be booked for the subsidiary accounts. However, perhaps the most significant post year-end events (often reserved for the CEO and CFO) are the roadshow investor relations presentations and the AGM. A considerable amount of work is required to host these and often finance teams need to prepare Q&A responses to difficult questions for astute shareholders to understand.

### 5. Resourcing and training requirements

Part of the debrief should identify areas during the period end where technical knowledge was lacking. These areas should be built into the training strategy for the next period end. Consider the weakest regional finance team and whether there are training or recruitment needs to be addressed. You should also look into late adjustments, unadjusted errors and deadlines missed. Sharing knowledge and dealing with concentrations of knowledge should be a continual process, especially where there is an expectation of turnover or promotion.

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