



Financial Management Advisory

# Financial Systems Overview & Leading Practices

Public Sector Management Workshop

June 1, 2009

ADVISORY

# Today's Agenda

## Introduction

### **KPMG's Perspective on the Finance Function and Supporting Technology**

- KPMG's Research Findings and Challenges faced by Organizations
- Software Industry Trends and the impact on Financial Systems

## Technology Solutions Definitions and Leading Practice Solutions

## Current Challenges and Issues

## Financial Systems Architecture (FSA) and Leading Practices

## Lessons Learned on Financial System Transformation Initiatives

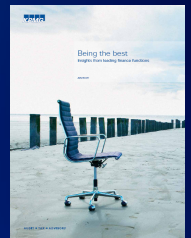
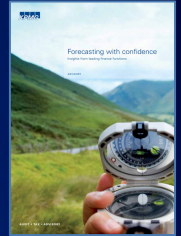
## Contact Information



# KPMG's Perspective on the Current Trends in Finance and Technology

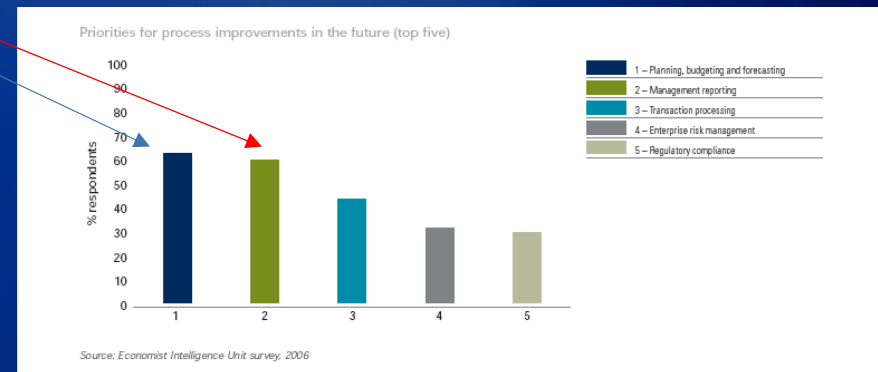
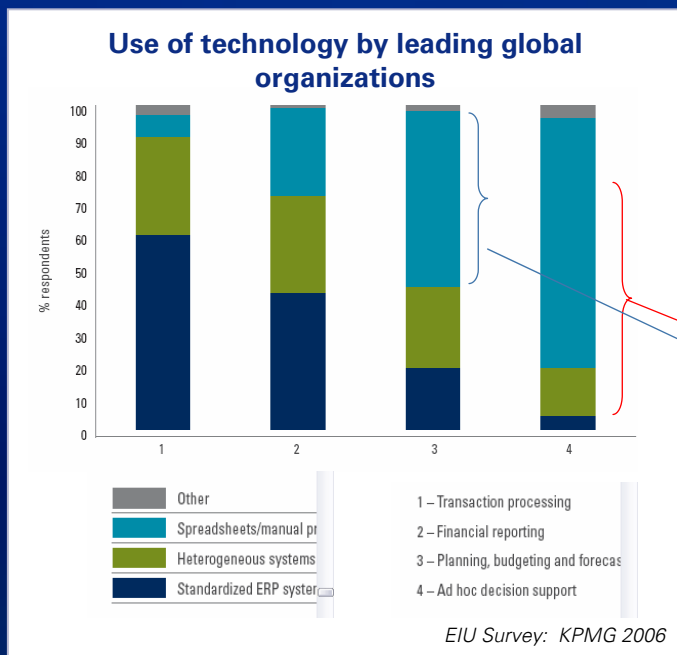
KPMG has released several Finance thought leadership publications based on our research and our client experiences. The publications reflected a real ground swell of opinion that technology is playing a vital role in helping finance functions achieve operational excellence. Our Findings indicate:

- Leading CFOs have been intensely focused on building the technology infrastructure that will enable them to streamline processes, eliminate redundant tasks, improve data quality and consistency.
- Legacy systems always produce imperfect information and multiple versions of the truth. Enterprise wide systems, in contrast, provide “a more accurate, single version of the truth.”
- Implementing new technology will continue to be a priority over the next two years for about half the firms in the survey sample.
- Spreadsheets remain a key business tool for piecing together data from multiple applications.
- Many finance functions still have a poor understanding of business value drivers and, in many cases data and IT architectures are inhibiting the ability of finance functions to help drive real business value.



# Link lack of investment in technology has led to many challenges for the Finance function

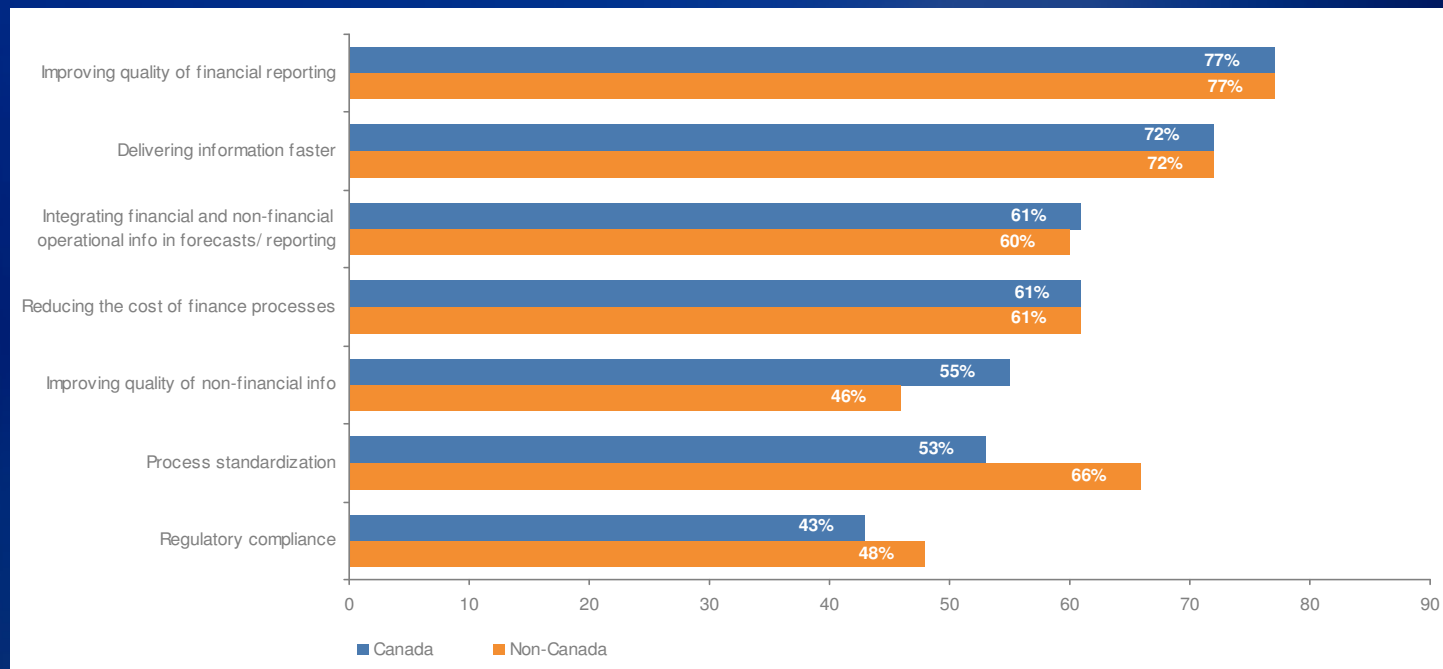
More than three-quarters of finance functions still use spreadsheets (or other manual processes) for ad hoc decision support, and over 50% percent continue to use them for planning, budgeting and forecasting. These areas are also the biggest areas for improvement identified by Finance



# Providing real Business Intelligence is still a challenge

## Data is often the root of finance function inefficiency :

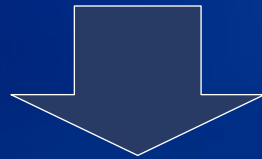
- The issue for many businesses is that their business intelligence processes and systems are not delivering. If they were, would there be such a prevalence of spreadsheets in delivering management information?
- The research identifies the two key drivers for investing in finance technology as the quality of the business information and the speed at which it is delivered – over 70 percent of respondents saw these issues as major drivers for future investment.



# KPMG's Perspective on the Public Sector and Technology

## Recent international survey conducted by Economist Intelligence Unit for KPMG:

- 254 public sector executives from five countries interviewed: Australia, Canada, Germany, the United Kingdom and the United States
- 37% were heads of departments, financial chiefs, directors or deputy directors
- 1/3 of respondents have departmental budgets greater than \$1 billion, another half have budgets of up to \$500 million



*Our research for the Public Sector and Financial systems are similar to our other surveys. KPMG's findings indicate that the systems do not properly support the preparation of financial reporting and forecasting*



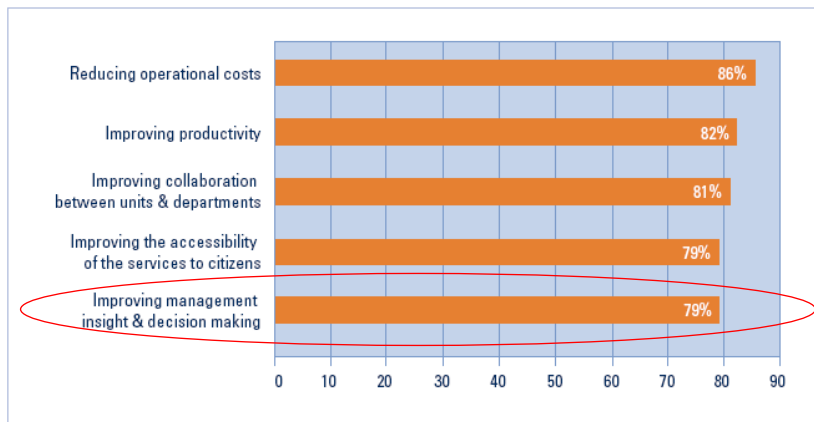
# KPMG's Perspective on the Public Sector and Technology

Some of our key findings from our Public Sector thought leadership research survey :

- Technology can have a big impact on improving management insight and decision making
- Implementing technology projects still remain a challenge

## Where technology helps

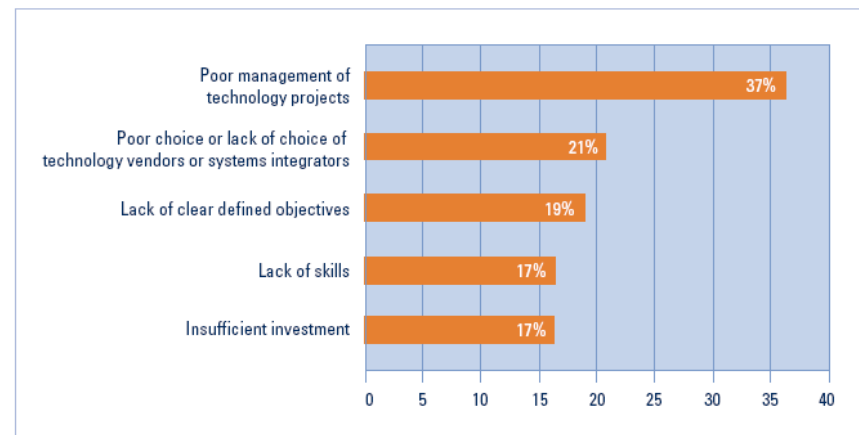
**Question:** Where do you think technology will have the biggest impact improving public sector services?



Source: Economist Intelligence Unit survey. Shows top five from a list of eight.  
Respondents shown selected either "moderate impact" or "major impact".

## IT headaches

**Question:** Which of the following do you think are the main problems facing public sector technology programs?



Source: Economist Intelligence Unit survey. Shows top five from a list of 14.



# Software Industry Trends and the impact on Financial Systems

## Vendor Consolidation

- BPM/ BI
  - Microsoft acquired ProClarity
  - BusinessObjects (BOBJ) acquired Crystal Reporting, and SRC (Planning)
  - Cognos acquired Adaytum and Frango
  - Oracle acquired Hyperion
  - BOBJ acquired Cartesis
  - SAP acquired Outlooksoft and BOBJ
  - Cognos acquired Applix
  - IBM acquired Cognos
  - Exact acquired Longview
- ERP
  - Oracle acquired JD Edwards and PeopleSoft
  - Microsoft acquired Great Plains, Nav Vision and Axapta
  - Infor Systems acquired BPCS, BaaN, Sun, etc.

## Vendors are offering more Comprehensive Solutions

- ERP Vendors entering into the BPM/ BI space
- Comprehensive solutions to support entire performance management process

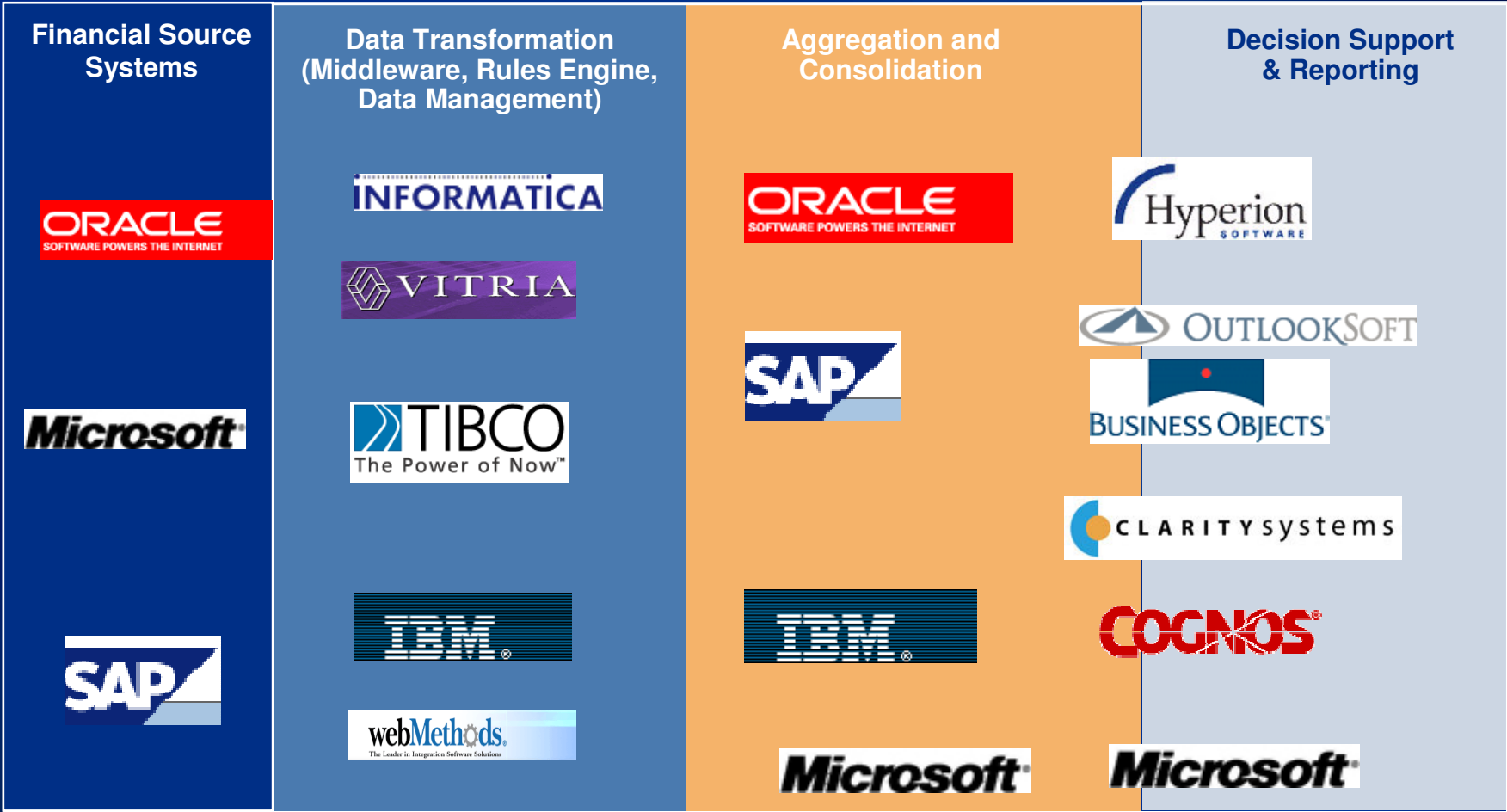


# Financial Systems Definitions

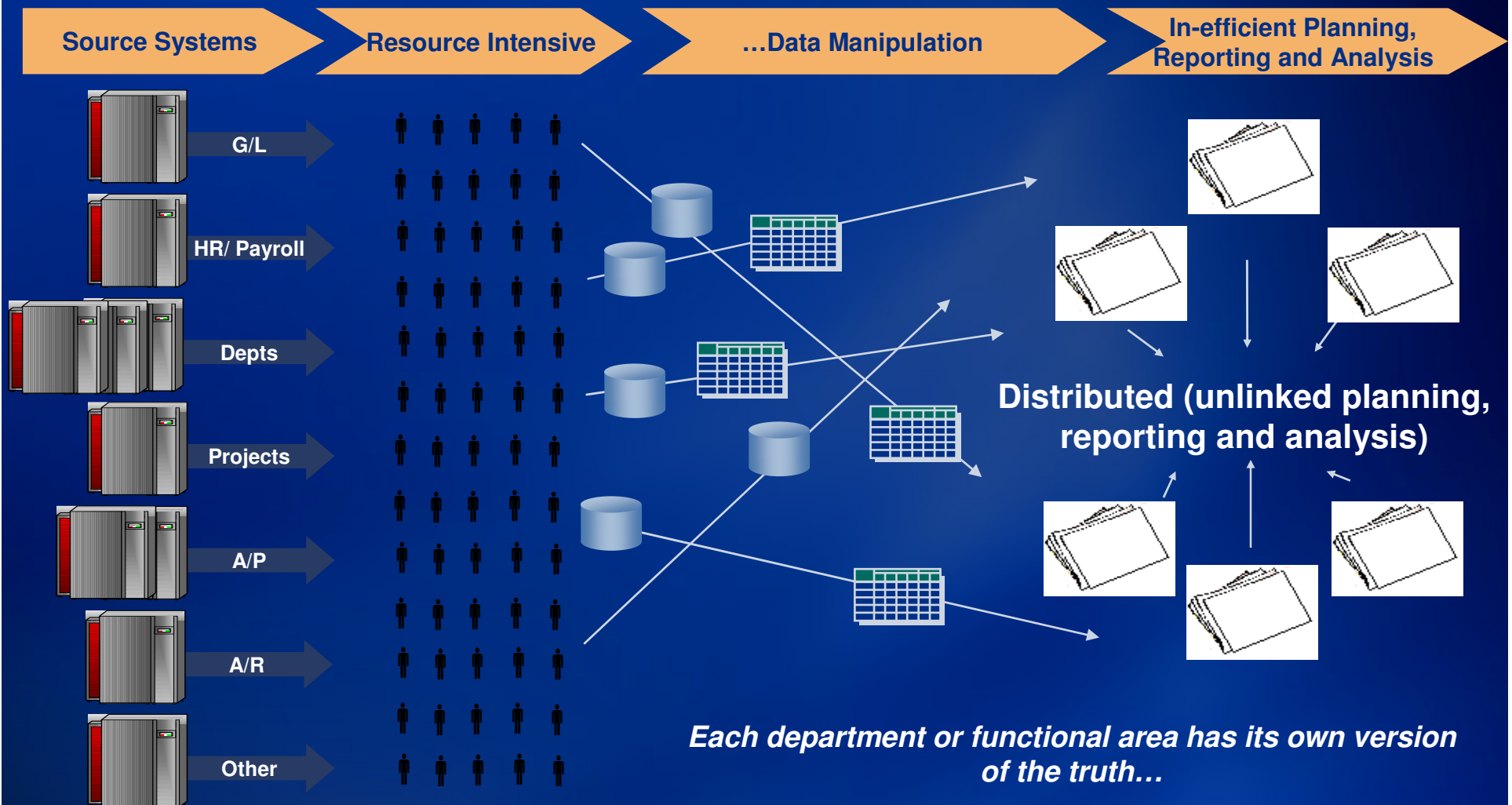
Key Layers of the Financial Systems	Definition
<b>Source Systems</b>	<ul style="list-style-type: none"> <li>• These systems are the front-end data capture systems, which contain the originating source data specific to a given transaction.</li> <li>• These systems can vary from the financial sub-ledger applications (e.g., Accounts Payable, Fixed Assets) to an organization's operating systems or sub-ledger accounting systems (e.g., A/R)</li> </ul>
<b>Data Transformation</b>	<ul style="list-style-type: none"> <li>• This is essentially the data transformation layer where the raw source data pulled from source systems is transformed into accounting related transactions (e.g., balanced debits and credits).</li> <li>• Contains an accounting rules engine, which maintains the logic for the creation of debits and credits.</li> <li>• The single location which is used to map, edit and post data from the source systems to repositories and other end user applications</li> </ul>
<b>Aggregation and Consolidation</b>	<ul style="list-style-type: none"> <li>• This layer generally contains the organization's General Ledger (GL) and consolidation systems.</li> <li>• It is also used as a supplier of data for management reporting and serves as the key source for conducting reconciliations.</li> <li>• This level of the architecture may also include other financial data repositories.</li> <li>• The repositories are typically linked to other operational and transactional data which support varying degrees of regulatory and management reporting</li> </ul>
<b>Decision Support &amp; Reporting</b>	<ul style="list-style-type: none"> <li>• This represents the final layer in which data is accessed and reported on via web-based technologies and other multi-dimensional reporting tools.</li> <li>• Information can be customized to the business users' individual preferences.</li> <li>• Various types of decision support tools are leveraged here to provide multi-dimensional analysis and drilldown functionality for the end user</li> </ul>

# Leading Practices/ Solutions

Organizations have many alternatives to choose from when designing their Financial System Solution



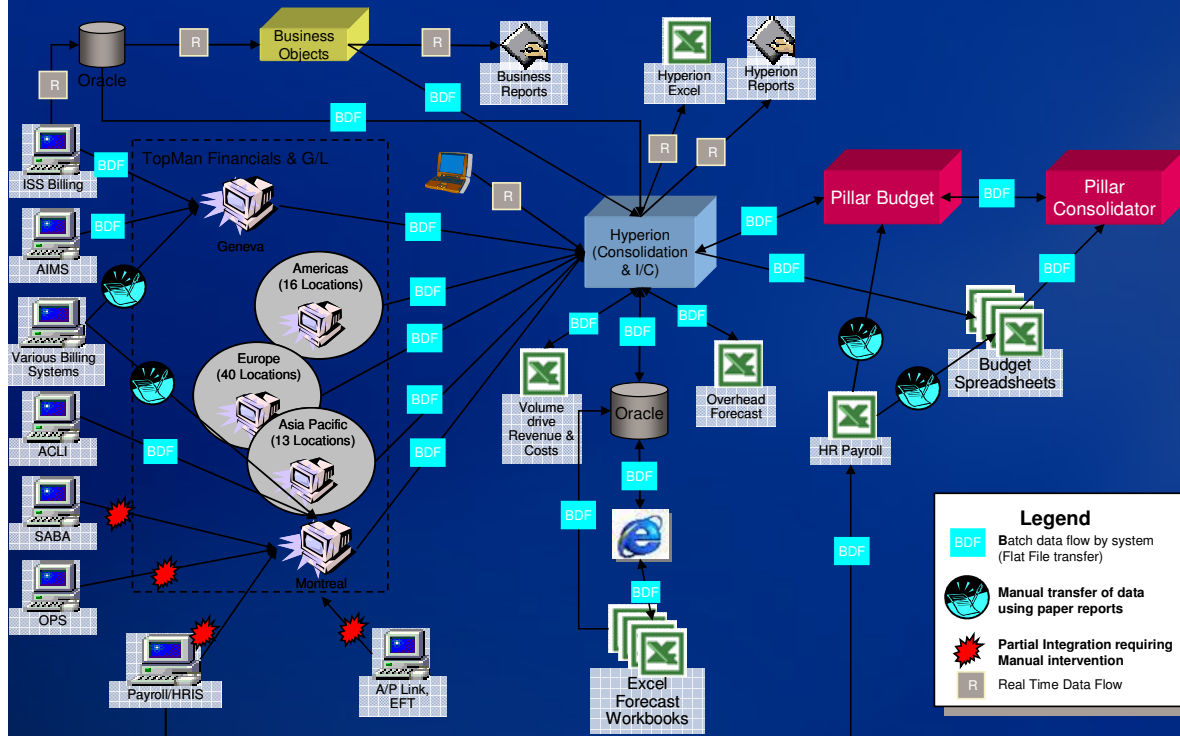
# The Organizations Pain Points for Finance Systems



# Current Challenges and Issues

## Typical results due to lack of guiding Financial System Architecture vision:

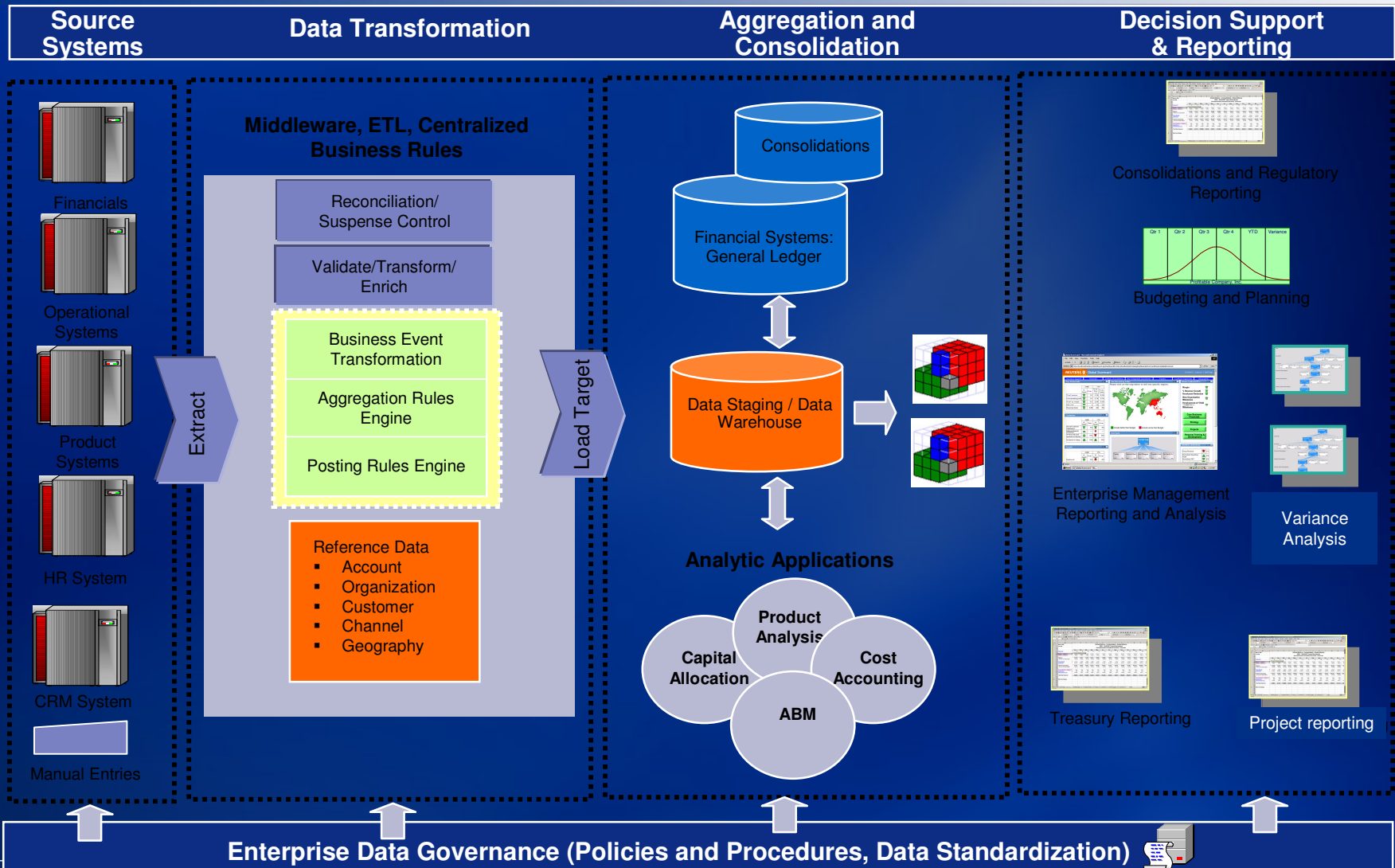
- Interapplication Spaghetti



## What's the Impact ?

- Manual and labor intensive processes
- Multiple locations for controlling and validating data
- Increased cycle time and error
- Lack of user confidence
- Limited access to information for decision support
- High degree of effort to plan and forecast
- Not flexible to facilitate mergers and acquisitions
- Adds level of complexity

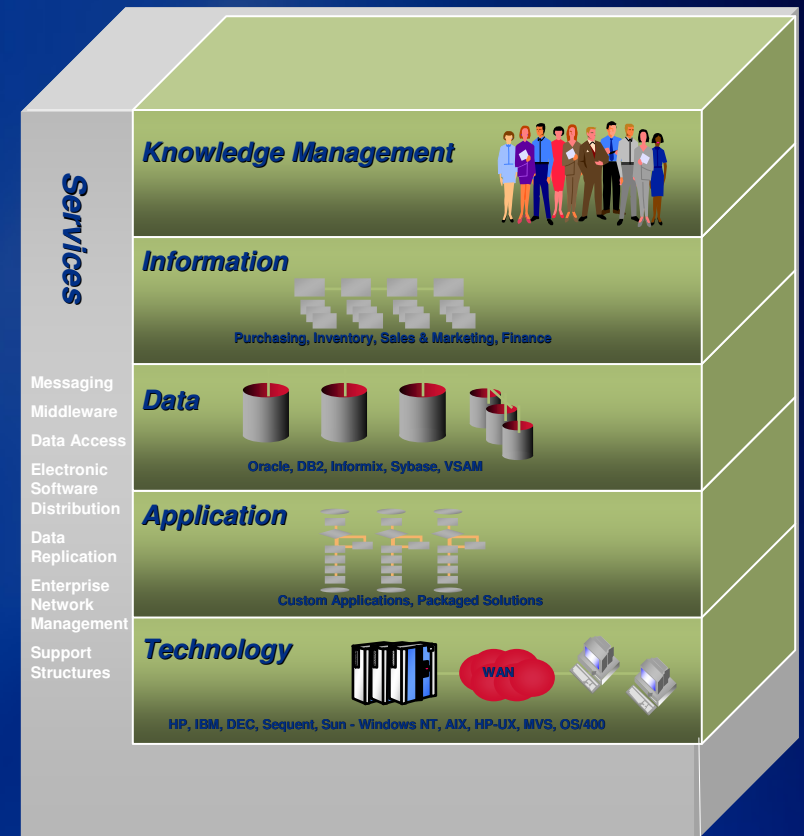
# Conceptual Financial Systems Architecture



# Financial Systems Architecture

## Having an FSA vision will help guide future finance decisions & investments

- Driving toward a vision for FSA can lead to a context for key decision making
  - Investment Prioritization
  - Migration Strategy
  - Discipline in thinking across initiatives
- A framework for building and integrating information systems to...
  - Guide the design and development of new business systems
  - Direct the evaluation and selection of packaged products and technology toolkits
  - Adapt to the changing needs of the business and to evolve with technology changes.

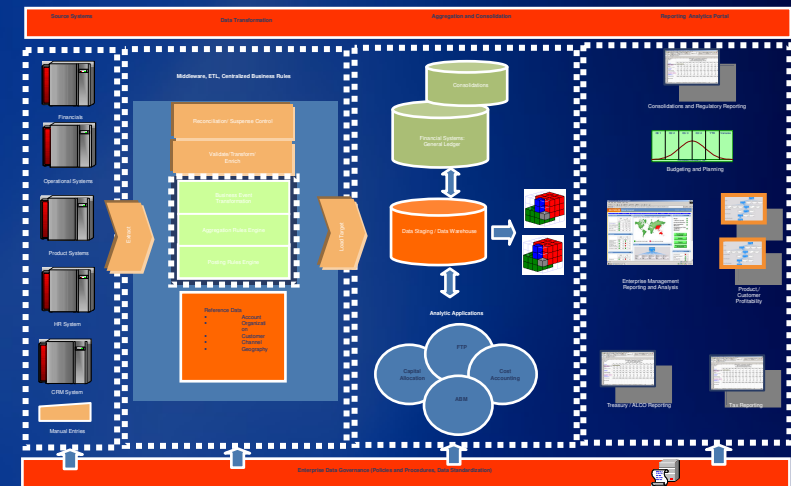


# Benefits of a Financial Systems Architecture

A Financial Systems Architecture allows a company to ensure a unified system, that will provide timely and accurate information to the Finance and the organization.

## Delivering Value to the Organization:

- Cost reductions
- Process standardization
- Data feed automation and validation
- Centralized controls and accounting rules
- Single source for management reporting
- Integrated planning and forecasting
- Ad-hoc analysis capabilities
- Scalable for consolidations/divestitures
- Multi-dimensional reporting with drill down capability



An organization's FSA Strategy dictates how data is: Extracted, Transformed, Stored, Manipulated in order to provide critical information about the organization, to the organization. The result: a blueprint which ties together the dependencies and relationships of the data and systems that drive Finance function deliverables.

# Technology- Leading Practices



# Lessons Learned on Financial System Transformation Initiatives

- Define the system strategy and roadmap first so that the most appropriate overall technology solution can be adopted. It is essential the system strategy is aligned with the overall strategy
- ERP Systems are Enterprise-Wide, and merging the data with other sources is straightforward
  - Not exactly, because usually there is a data disconnect. Numerous data sources cause data normalization issues
- An ERP Solution can satisfy all our reporting needs
  - Depending on the reporting requirements, more complex organizations require a data warehouse and data transformation tools
  - Decision support and reporting tools are additional tools required by the organization
- The Data Quality in our financial systems (ERP or Reporting) is high
  - ‘Weakest Link’ from integration of other systems
  - Still require robust Data Management processes
- We Can Get at the ERP Data Quickly and Easily
  - ERP systems are focusing at getting the transaction information in and not at getting the information out
- We Don't Need a Data Transformation Tool. Our Internal Staff Can Build it Quicker and More Inexpensively
  - ETL Tools can manage the data extraction process much more efficiently

# KPMG's Guiding Principles for Finance System Initiatives

## The guiding principles we follow include:

- Define project objectives and scope up front and stick with them
- Secure senior management involvement and active participation
- Commit your best people ... and empower them
- Make sure your team is balanced with both business and technical skills sets
- Avoid customizing the financial systems
- Recognize that the system implementation project is a business initiative
- Ensure deadlines are realistic
- Don't underestimate the Change Management requirements, especially training
- The biggest challenges can be with cut-over issues, and dealing with historical data
- Don't forget the interfaces.
- Plan the best approach for implementation
- Plan, Plan, Plan your implementation and allow enough time



# QUESTIONS?





## **Presenter's contact details**

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