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Life After Statutory Accounts

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Background

LV= has been and is growing significantly

Growth has required a more formalised approach to the control environment

In May 2008 Finance commissioned a report from Ernst & Young to review the current control environment and identify weaknesses

We have been looking for control improvements constantly since

A key enabler of that has been FSR

Statutory Reporting

The Obvious Start for FSR

Statutory Reporting Challenges

Issues

- **Transfer of data between sources**
- **Manual amendments required to get right numbers**
- **No or little audit trail**
- **Changes at the bottom have to be "fed" through the process**
  - Normally at critical times
  - Time pressured
  - Limited time to review/check
  - Changes may be missed
- **Accounting policies and notes get amended at subsidiary – no Group view or consistency**
- **Heavy reliance on staff to know process and to do the right thing**

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Statutory Reporting Old to New

Old process

General ledger

Excel
Summarise for reporting from TB

Word – Subsidiary Statutory Accounts
Subsidiaries accounts templates

Excel
Consolidation

Excel
Group accounts template

Adobe Indesign
Group Statutory Accounts

New process

General ledger
(including consolidation company)

FSR
Summarise and template
For all subsidiaries and Group

iXBRL output to HMRC
For all subsidiaries and Group

Statutory Reporting – Benefits of FSR

Time Saving
- Multiple users can access a report at the same time
- Reduce steps in the process
- Work can be done in parallel not just series
- Automated roll over

Ownership
- Sign off of work evidenced
- Evidence of who did what when (track changes/audit trail)
- Monitoring of delivery dates
- Workflow
- Easy to use (for accountants who love excel and word)

Reliability
- Consistent data, one version of the truth
- Pulled from source not keyed
- Restricted access

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Statutory Reporting – Other Ideas with FSR

Other notes – don't build in spreadsheets and re-enter data, use excel in FSR instead

Shared objects/notes – build it once and share across companies (eg audit report, policy notes)

Checking notes agree to throughout the report (##R)

Use excel "if" statements to swap between creditors/debtors notes

Use excel "if" and FSR "variables" to alter profit/loss words in directors report, audit report etc

What Else Then?

How Do You Report Internally and Externally?

How do you produce other reports currently:

1. Excel?

2. Word?

3. Powerpoint?

4. Report writer?

Challenges with traditional reporting methods

Time Saving

- How to update different parts of a report at the same time
- Post box/collation function

Ownership

- How do you ensure sign off
- How do you establish audit trails
- Reports aren't flexible if owned by IT/too flexible if owned by Finance
- Who can alter the reports
- Version control

Challenges with traditional reporting methods

Reliability

- Data is manually input
- Data can be "adjusted" to alter results
- Verification of numbers is manual - does page 1 equal page 25 numbers?
- Links between spreadsheets can get corrupted
- You have to check castings in word/powerpoint
- Are numbers automatically refreshed from core systems

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Challenges With Reporting - Summary

1. Time saving

2. Ownership

3. Reliability

The same/similar issues as with statutory accounts?

So why not use FSR for these as well?

What Else Do LV= Use FSR For?

OTHER REPORTING

Internal Reporting:
- Management accounts
- Plan and forecast packs
- Weekly MI Packs
- Financial Risk reporting packs

External Reporting:
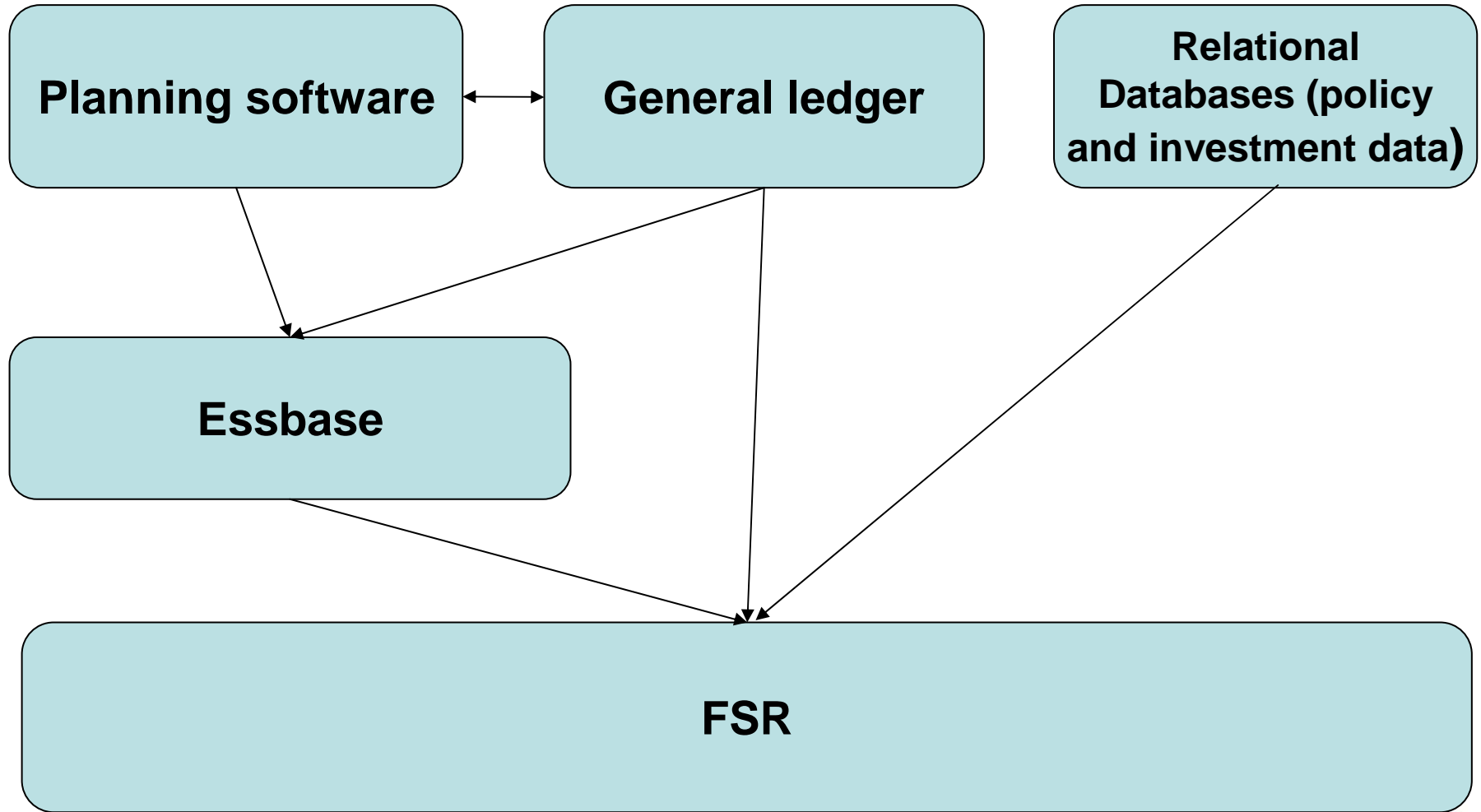- Ad hoc reporting to outside bodies (ABI, ONS, FSA)
- Monthly solvency returns to the FSA
- Solvency II reporting

OTHER USES
- Reconciliations

System Feeds for FSR

Planning software ⟷ General ledger

Relational Databases (policy and investment data)

Essbase

FSR

Other Reporting

Other Reporting Benefits Using FSR

Time Saving

- Allow faster delivery to senior management (parallel not series)
- Removal of "collation" function

Ownership

- Output internally in PDF and word or externally in iXBRL, XBRL and XML
- Restricted access and protection of reporting sheets to remove "tampering"
- Workflow, sign off identified users
- Monitors delivery dates
- Version control
- Combines word and excel (the accountants favourites)

Other Reporting Benefits Using FSR cont.

Reliability

- Automated update from General Ledger/TB using the same mapping hierarchy as stats – one version of the truth
- Interacts with relational databases (via SQL) – pull data in from other systems
- Interacts with OLAP cubes (Essbase/TM1) dynamic pull - FSR can be fully linked so reporting packs are updated as data is entered
- Fast roll over with variables updated (monthly, YTD, forecast/plan/budget)
- Use of variables (no links across spreadsheets)
- Build once and share across different packs

Consistent Data Shared Across Multiple Reporting Packs

Monthly Management Accounts Packs

Key
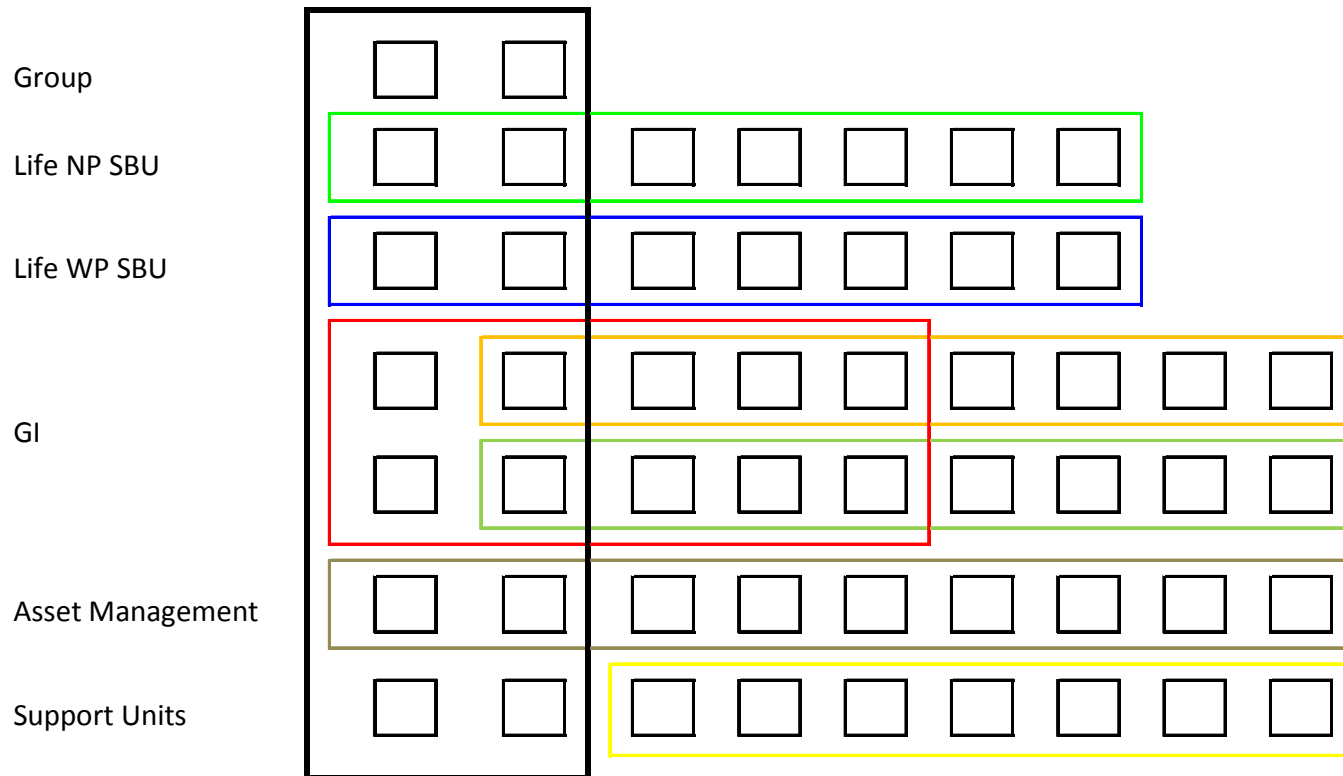
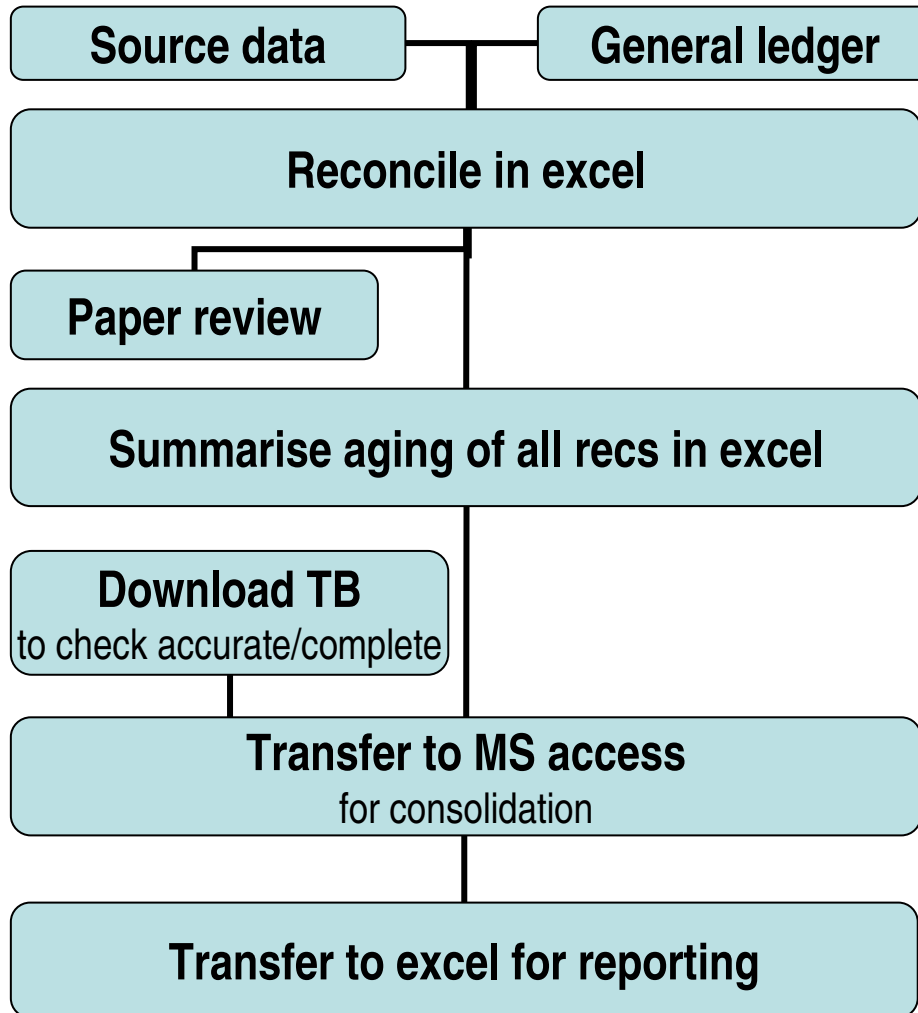|		
Group pack	GI Pack	Asset Management Pack
Life NP Pack	GI Direct Pack	Support Unit Pack
Life WP Pack	GI Broker Pack	

Other Uses

Reconciliations Challenges

Issues

- Highly reliant on excel – too flexible/no control, all recs done in separate spreadsheets (>2000 recs in total)
- Print out and sign off to evidence but it may not be what gets submitted
- ALL non moving balance sheet recs must still be reviewed and reconciled each month (share capital, zero accounts etc)
- There is no guarantee queries are resolved when raised on paper recs
- The reporting of all recs and their aging is a lengthy and cumbersome process
- Data moved in and out of excel/access runs risk of lost/missing data
- Lack of visibility in process from end to end
- Audit issues as sign off dates may be before back up
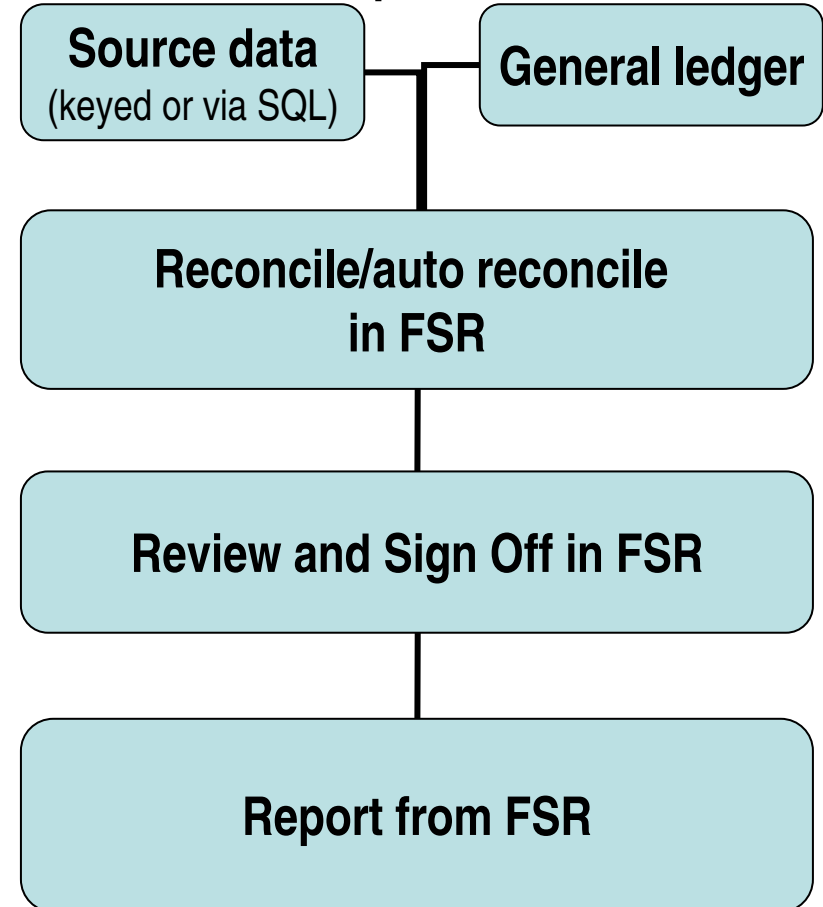- Can't always find supporting documents

Reconciliations Process

Old process

Source data — **General ledger**

Reconcile in excel

Paper review

Summarise aging of all recs in excel

Download TB
to check accurate/complete

Transfer to MS access
for consolidation

Transfer to excel for reporting

New process

Source data
(keyed or via SQL) — **General ledger**

Reconcile/auto reconcile in FSR

Review and Sign Off in FSR

Report from FSR

Benefits of FSR for Reconciliations

Time Saving

- Over 50 people are involved in recs. They used excel and now use excel in FSR – minimal training/issues
- Auditors can self serve recs
- Reconciliations that do not move regularly (eg share capital) will be auto reconciled by the system
- Queries built to bring in policy/investment systems balances to autoreconcile to the source systems (reducing staff time)
- FSR has been enhanced to allow reporting from all objects to one tab allowing our central reporting to be automated
- Any rec can now be found easily (all in one place)

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Benefits of FSR for Reconciliations

Ownership

- Full end to end control of process with visibility of who did what when

Reliability

- Rejected recs have to be actioned now
- One version of the truth
- Standard template is used for all recs
- Supporting info is attached via embedding or pasting "pictures"
- TB is downloaded into FSR and automatically populated so no risk of "wrong" balance
- Auditors love it (gave them view access) – positive comment in report to Audit Committee

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Why is FSR so Good?

Why is FSR So Good?

- So the Post-it combines things together

- FSR combines things together (all elements of Office)

- What did Brett get the patent on, it wasn't FSR!

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