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Transforming Global Statutory Reporting for the Digital Age

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Introduction

Global statutory reporting (GSR) — the process of preparing and reporting financial performance and various other regulatory submissions in the different countries in which an organization operates —is becoming increasingly complex. The number of regulations around tax, financial reporting, data protection, money laundering and other areas are increasing as governments seek to improve accountability and transparency.

At the same time, reporting requirements are expanding in scope to include more non-financial information, such as environmental, social and governance (ESG) data.

Add in ever-evolving tax laws, which can vary significantly by country, an increase in cross-border transactions requiring multi-country compliance, as well as growing regulator scrutiny, and you can see why financial controllers and accountants are hard-pressed to keep up with their growing workloads.

Falling behind isn't an option. Statutory reports that are incorrect, missing data or filed late can lead to significant fines, the loss of operating licenses, audit issues, loss of investor and stakeholder trust and, in the most extreme cases, criminal charges.

Many organizations have taken a manual, decentralized approach to statutory reporting. The requirement to understand local regulations and standards means staff based in regional offices often handle the statutory reporting for their individual jurisdictions. This siloed approach leads to process inefficiencies and inconsistencies across the organization, and hampers the ability to get a more holistic view of company-wide operations. It can also create difficulties in getting all the data required in a centralized location to build consolidated financial statements for global organizations with a large number of subsidiaries.

This also means organizations collect and store their own local data at the regional office and don't necessarily share all their data with the global organization. But with regulatory requirements expanding and stakeholder expectations growing, organizations have to devote more resources, including technology, to meet increasingly complex reporting requirements.

Relying on manual reporting processes requires having staff in different jurisdictions who are familiar with local regulations, processes and deadlines. It also results in a lack of report consistency from one region to another, as well as data potentially falling through the cracks during the reporting process, causing increased risk to the organization.

Fortunately, there are steps organizations can take to enhance their reporting processes. Businesses that are serious about improving their global statutory reporting are standardizing and streamlining their accounting and reporting in the countries where they operate. This requires transforming their manual, inefficient processes by digitizing and automating as much of their statutory reporting as possible.

Ultimately, this transformation will allow organizations to spend less time gathering data in different formats and more time analyzing it to improve compliance, better identify regulatory risks and elevate visibility and control across the organization.

Manual processes often result in a lack of report consistency from one region to another.

The value of global statutory reporting

Key GSR advantages

Global statutory reports are valuable to investors, stakeholders, governments, regulators and customers conducting vendor assessments because they offer important insights into an organization's financial health and business practices. They can help shareholders make informed decisions about their investments, prove to government agencies that an organization is complying with local laws, and give lenders and creditors the confidence to extend credit to a business.

Some examples of how statutory reports can prove useful include:

- **Assessing financial health:** Statutory reports, like other financial reports, offer information about a company's financial well-being, including assets, liabilities, revenues and expenses. This allows investors and other stakeholders to see how profitable a business is, assess whether there are any looming financial risks, and decide if they want to continue investing in the business or take other actions. Organizations need to make sure their financial statements comply with any specific Generally Accepted Accounting Principles (GAAP) or other accounting guidelines used in the countries where they operate.
- **Ensuring regulatory compliance:** Statutory reports tied to regulations vary by jurisdiction and industry, but they are all designed to make sure companies are complying with local laws. These reports could include financial documents, environmental assessments, diversity and inclusion assessments and more.
- **Promoting accountability and transparency:** Statutory reports give stakeholders information about an organization's finances, regulatory compliance and operations. This helps hold businesses and their leaders accountable for

their actions and gives stakeholders an in-depth look at what's happening at a company behind the scenes of its day-to-day operations. Accounting teams must ensure all their reports comply with the disclosure requirements of local jurisdictions. These requirements can include specific reporting timelines, information and formats.

- **Calculating tax obligations:** Statutory reports include tax returns, providing information about a business's income, expenses and tax liabilities. This helps local governments decide how much tax a business owes.

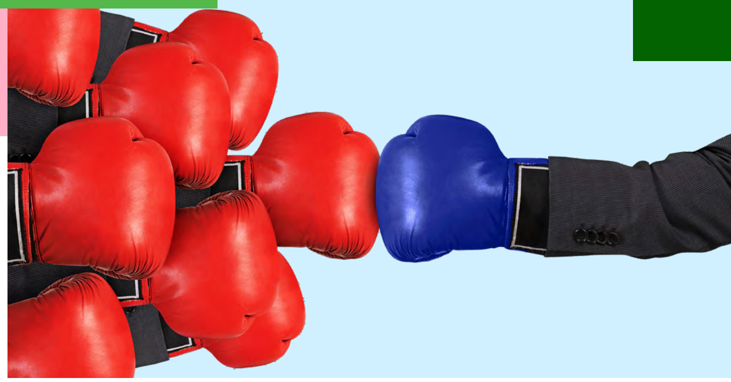
- **Ensuring compliance with corporate governance standards:** Statutory reporting can include details on corporate governance, helping ensure an organization is meeting corporate governance regulations in a local jurisdiction.

- **Currency translation:** Statutory reports can include translations of financial statements from the currencies of local countries where an organization operates to the currency of the jurisdiction where the organization reports its global results. This helps stakeholders better understand exactly how an organization is performing financially.

- **Providing legal protection:** Statutory reports aren't just useful for stakeholders outside the organization. They also act as proof that a business is complying with legal obligations, which provides protection if any legal disputes, audits or investigations arise.

It's crucial for organizations to make sure their global statutory reports include accurate data and are filed on time. Inaccurate reports can result in significant fines, lawsuits, costly restatements and criminal proceedings. Filing after a statutory reporting deadline can result in late filing fees, interest charges, legal proceedings and damage to an organization's reputation.

Given these serious consequences, any organization required to file statutory reports in different jurisdictions needs to have dependable processes and procedures in place to make sure all necessary information is included, the required reporting formats for each jurisdiction are used and local reporting deadlines are met.



A challenging GSR environment

Manual labor

Statutory reporting has become increasingly complex over time. Not only must organizations keep up with ever-changing forms, deadlines and financial reporting requirements, they must also account for completely new regulations in areas such as ESG, diversity, equity and inclusion (DEI) and fair pay. Many businesses still rely on manual processes for their statutory reporting, such as compiling spreadsheets, filling in fields in individual forms and passing information back and forth by email.

Using manual processes for statutory reporting carries significant risk. For starters, it's inefficient. Gathering data from multiple sources, compiling it and then manually preparing the reports takes a significant amount of time and resources. It can also lead to errors that could ultimately result in failure to deliver accurate statements, comply with regulations or miss deadlines, leading to audit complexities, possible fines and legal action.

The expense associated with manual data entry, reconciliation and compliance can be significant, particularly for larger organizations. Additionally, this approach usually requires dedicated personnel to oversee the reporting process in each location.

Using manual processes for statutory reporting carries significant risk.

Data management

Accessing all the organization-wide data required to compile statutory reports can be a challenge. The data often exists in different systems and formats. This means organizations need to import and prepare the data by eliminating duplicate information, purging old data and making sure all required fields are filled out, to ensure it's complete and accurate. If the data isn't cleansed properly, it can lead to errors and a failure to comply with regulations.

Data isn't just siloed in different systems. It can also be siloed geographically, with different regions storing their own data locally. This can make it difficult to gather the information required for global reporting in a consistent format and for finance teams to produce timely, accurate reports.

Having data stored in different locations can also make team collaboration difficult if an organization is still relying on manual processes. Finance team members can't work on the same documents together, or see changes to data in real time. Instead, they need to send documents and spreadsheets back and forth to each other, causing delays and increasing the risk of effort duplication and miscommunication.

Shifting standards

Constantly changing standards are another hurdle organizations must overcome in their global statutory reporting. The International Financial Reporting Standards (IFRS) is used for GSR in more than 110 countries around the world. Like most standards, IFRS is constantly evolving and it can be difficult for organizations to track new reporting requirements.

And although widely employed, IFRS is not used by every country. Other standards, such as Financial Reporting Standard 102 (FRS 102), which applies to companies operating in the U.K. and the Republic of Ireland, and country-specific local GAAP standards, also exist.

These standards also change over time. Deadlines are a key consideration, as different jurisdictions can have distinct reporting timelines. This makes it crucial to have a solid understanding of the standards in each of the regions that an organization operates, as well as its overall global obligations.

Information security risks

Managing a decentralized global statutory reporting team that still relies on manual processes can introduce significant security risks. Without a central data storage location, teams will email documents and spreadsheets back and forth, which can result in important data being stored in multiple locations, making it more prone to theft.

Enforcing organization-wide data security policies is also difficult if there's no central system for data to be securely stored and organized. In these instances, each team, whether in-office or remote, is responsible for its own information security, which increases overall security costs.

Talent acquisition and retention

Manual processes can also make it difficult for organizations to attract skilled accounting talent, and finding accounting talent today is challenging. Caseware's *2024 State of Accounting Firms Trends Report* found 41 percent of respondents believed it was "extremely challenging" to find and retain skilled talent for their firms, while another 47 percent said it was "somewhat challenging."

In the U.S., more than 300,000 accountants and auditors left their jobs between 2020 and 2022, representing a 17-percent drop in overall employment in the industry, according to the U.S. Bureau of Labor Statistics. Forcing accounting teams to spend significant time performing boring, mundane tasks leads to job dissatisfaction and burnout, while also making it more difficult to attract new talent.

There was a 17-percent drop in overall employment in the industry.

How digital solutions simplify statutory reporting

Modern solutions

To cope with increasingly complex statutory reporting requirements, many global organizations are deploying modern digital financial reporting solutions. Good examples of this type of platform combine cloud functionality, data ingestion, automation, report customization and localized content in one package, simplifying the statutory reporting process and making finance teams more efficient. Let's examine each of the solution components in more detail.

Cloud

Relying on the cloud as the platform for your statutory reporting function is crucial. The cloud makes it simple to connect all your organization's offices and employees around the world, so data can be seamlessly imported and centrally stored. Teams can then communicate with one another more effectively, better collaborate on projects and ensure everything is compliant with local and global reporting.

Using a platform like Caseware Cloud, finance team members will be able to easily get financial statements or data from any worldwide location, send reports for review and work on files with other global team members – no matter where they're located. You'll be able to identify potential issues more easily and boost your team's productivity, giving you additional time to provide in-depth analysis of your results.

The cloud can also serve as a central repository for all your important data. This means your whole team will have access to the most recent financial information, improving the accuracy and timeliness of your organization's reports.

When selecting a cloud platform it's important to prioritize security. Your cloud platform should include bank-level encryption to keep important data locked down at all times.

Organizations should also seek solutions that allow them to create and manage role-based data access permissions. For example, an organization could set up its cloud permissions so auditors in one country could only access documents and data relating to their geographic region. This ensures employees see only the information they need to see for their specific roles and responsibilities and helps guarantee confidential communications and documents are seen only by the employees who need to see them.

Relying on a secure cloud platform also means organizations will be benefiting from the significant security investments cloud providers make in their infrastructure. This helps ensure firms are meeting their GSR compliance requirements around unauthorized access to sensitive financial information.

Data ingestion

A digital GSR solution allows you to import and map data from multiple sources. It can integrate seamlessly with your Enterprise Resource Planning (ERP) applications to pull in a wealth of important organizational data. It can also integrate with other data sources outside your ERP systems through configurable Application Programming Interfaces (APIs). This means you no longer need to gather data from different countries or subsidiaries to compile your global reports. It's all centrally collected and stored for you.

This gives you the ability to import data from all your important platforms directly into your financial statements to help paint a complete financial picture of your organization. Best of all, because you're importing data directly from the source, there's less risk of incorrect data entries or missing information. This allows your team to complete their reporting more quickly and with greater accuracy.

Data from different countries or subsidiaries is centrally collected and stored.

15% The percentage of accounting firms that said process automation will represent their biggest software investment over the next year.

Source: Caseware 2024 State of Accounting Firms Trends Report

Automation

Digitizing and automating menial tasks can save your team time and make it simpler to attract and retain talent. The finance team can focus more time on reviews and delivering faster, more accurate reports, rather than performing time-consuming and repetitive work. Automating your financial reporting processes also gives your team an opportunity to learn new skills, enhancing their professional growth and improving their job satisfaction.

Automation also lowers your financial reporting risks. Automated drafting of financial statements and disclosures means there's no chance of a data entry or transposition error occurring, ensuring your reporting is complete and accurate.

For instance, automatic flow-through changes can save your team significant time. In a manual process scenario, when an accountant discovers a mistake, they have to go through all the financial documents where that mistake exists to make the appropriate changes. But with automatic flow-through, when the accountant fixes an error in one statement, it synchronizes that change with any related documents. This eliminates the chance the accountant forgets to make their changes on some documents and leads to more accurate reporting.

Additionally, smart review tools and built-in diagnostics will make sure your reports are complete and no errors have been skipped, while accelerating the process. Using an automated solution also means your reports are prepared consistently with a uniform format and structure — unless local guidelines dictate otherwise.

The accurate financial reports that automation creates aren't just good for your organization — they're also great for your stakeholders. Investors, customers and regulators all place more trust in organizations that deliver accurate, transparent and timely financial statements.

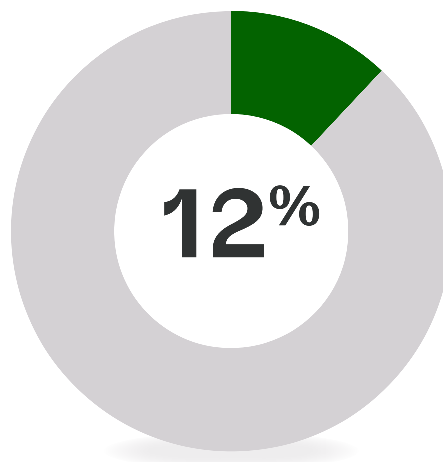
Automation Benefits

- Intelligent file preparation including client-specific, tailored checklists
- Seamless financial data import and mapping
- Automatic generation of draft financial statements
- Review of potential issues and discrepancies
- Roll-forward to carry financials to future years

Report customization

Every organization has unique reporting requirements, so a digital financial reporting solution should not just have one-size-fits-all templates for statements. You'll want to be able to modify your statements to fit your firm's needs — adding or removing certain sections from the default template, embedding your own supporting documents, or adjusting tables.

Report customization is a must-have feature to make your organization stand out from your competition. It not only helps you meet your particular statutory requirements, but it helps establish your brand identity. What's more, once you've set up your customized reports in a digital solution, it will remember the format in future reporting periods.



The percentage of internal audit departments that said reporting process and quality was their biggest internal pressure.

Source: Caseware 2024 State of Internal Audit Trends Report

Localized content

Statutory reporting solutions can deliver content that's tailored specifically for particular countries or regions, helping organizations meet local statutory reporting requirements. This localized content can include formats and templates designed for different jurisdictions that help finance teams prepare financial reports accurately, in line with the accounting principles.

17%

The percentage of accounting firms that indicated they are relying on offshoring to mitigate the industry's widespread talent shortage — pointing to an increasingly global workforce and the rising need for localized content.

Source: Caseware 2024 State of Accounting Firms Trends Report

The content can also incorporate deadlines for different countries, helping them file their reports on time. Having localized content is especially useful for organizations with a large global presence, for whom it can be a challenge to oversee the activities of accounting teams in multiple countries.

Content that's designed for specific countries can also eliminate language and cultural issues. Having forms available in a local language makes it easier for auditors to do their work efficiently. And localized content can take into consideration any cultural nuances that might impact reporting requirements in a country.

Having forms available in a local language creates new efficiencies for auditors.

Transformation with Caseware Financials

One example of a digital global statutory reporting solution featuring cloud, automation and localized content is Caseware Financials. This offering transforms the way practitioners prepare, review and deliver accurate financial statements to meet statutory requirements. It's a global, cloud-based application that eliminates manual data collection and processes to allow you to craft professionally formatted, accurate statements. You'll spend less time gathering the information you need for your reporting and more time analyzing your financial data for potential risks and opportunities.

With built-in guidelines and model disclosures, Caseware Financials helps you stay compliant with the latest statutory reporting regulations and standards. And its localized content, intuitive interface, automatic drafting and real-time collaboration allow your team to work more effectively.

Caseware Financials runs on the Caseware Cloud platform, a secure, robust solution that meets the highest security standards. You can digitize your global statutory reporting with cloud, data, automation and localized content all included in a single, powerful application.

Conclusion

Global statutory reporting can be time-consuming and costly, thanks to ever-changing expectations, different local formats and deadlines, as well as varying reporting requirements. These factors also increase the risk of filing inadequate financial statements or missing deadlines, possibly resulting in large fines and reputational damage.

Increasingly, organizations must also expand their GSR by incorporating more non-financial reporting and sustainability accounting to meet the demands of stakeholders for greater transparency. They should also take steps to centralize as many of their GSR processes as possible to improve efficiency and transparency.

The best path to overcoming GSR's challenges is through the adoption of a cloud-based technology solution, like Caseware Financials, that integrates data from multiple sources, automates the drafting of financial statements and employs content that's localized for individual countries. This not only leads to better collaboration and efficiency, it also improves your reporting quality and reliability, resulting in better transparency and more satisfied stakeholders.

Contact Caseware today to discover how to optimize your global statutory reporting.

About the author

Mike Martin is Content Marketing Writer at Caseware. He is a former IT magazine editor with extensive experience researching and writing about enterprise technologies. At Caseware, Mike reports on today's top issues affecting auditors and accountants and how advanced technologies are helping them drive better results.

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