# Business-intelligence-based Treasury reporting for efficient risk management

The Treasury black box – in many cases this description is still apt. While the importance of Treasury, and thus awareness of it, has risen markedly in recent years, reporting generated by Treasury is often seen to be lagging behind: as having limited information value, representing incomplete contribution to value, being difficult to read, lacking dynamic reporting.

Accordingly, those seeking to optimise Treasury reporting cannot avoid content discussions, graphics preparation and the individual preferences of specific users.

**Local Excel reporting vs. TMS extension**

Standard Treasury Management Systems provide for extensive standard reporting. Although the system is configured in such a way that its reporting options are fully used, it has nevertheless become insufficient for users in respect of presentation, analysis functionalities and data integration, as the features and dimensions cannot readily be added to the transaction system. Extensive adjustments to standard reporting are associated with a corresponding increase in effort as the underlying data model in the transaction system, the Treasury Management System, cannot be flexibly adapted – thus the cost-benefit question clearly arises from the outset.

Current Office products often provide a satisfactory result as content can be flexibly presented in a suitable manner for management, without the need for IT expertise. However, this generally involves a high level of operational effort during reporting preparation, as performance indicators need to be calculated locally and separately, then aggregated, presented and prepared for report recipients – often manually via e-mail. In addition, there is an increasing risk of the freedom on this platform being used in such a way that the Treasury performance indicators, their calculation and data sources are not standardised, leading in the worst case to a lack of concept and dilution of Treasury reporting.

**Opportunities afforded by a business-intelligence-based solution**

The fusion of the concepts to expand the TMS for reporting, and also to outsource using Office products, can be found in business-intelligence-based Treasury reporting (BI reporting). What benefits does this solution provide?

This approach offers the option to pool different data sources in one fully designed and thus robust data model. For instance if market data is not yet integrated in the Treasury Management System, this can occur in the BI solution. Various reporting purposes can be combined on one dashboard, enabling access to different performance indicators.

For example, it is possible to illustrate how an investment abroad, along with the associated financing in a specific currency, affects the risk position and capital structure in a specific period. Sensitivity and scenario analyses can in turn be considered in a budget cash flow statement, thus rounding off the reporting package within an integrated database.

The latest developments in the BI market could accelerate the proliferation of modern reporting and analysis tools. Trends are moving away from IT-driven reporting platforms to self-service

analytics tools driven by business users. According to the Gartner study (see Magic Quadrant for Business Intelligence and Analytics Platforms, 2016), the tools from QlikView, Tableau and Microsoft are especially popular, outstripping established providers such as SAP and IBM in this segment.
Several data sources can be linked at the same time (ERP and TMS data or market data) and flexible analyses can be performed using Office integration or intuitive management. These modern tools only require programming language in exceptional cases; as a result Treasury is able to generate its own analyses and dashboards.

**The organisation as driver for the correct reporting solution**

The Treasury of the future will be driven by front office. Market proximity means that front office develops the strategy that optimally reflects the appetite for risk. At the same time, implementation will become significantly more dynamic, as static hedging strategies are no longer state of the art. Systems that take account of the effects of correlation between currencies and permanently calculate the cash flow at risk already exist. These are supplemented by options for visualising complex scenarios with different dependencies in real time and across the various risk categories.

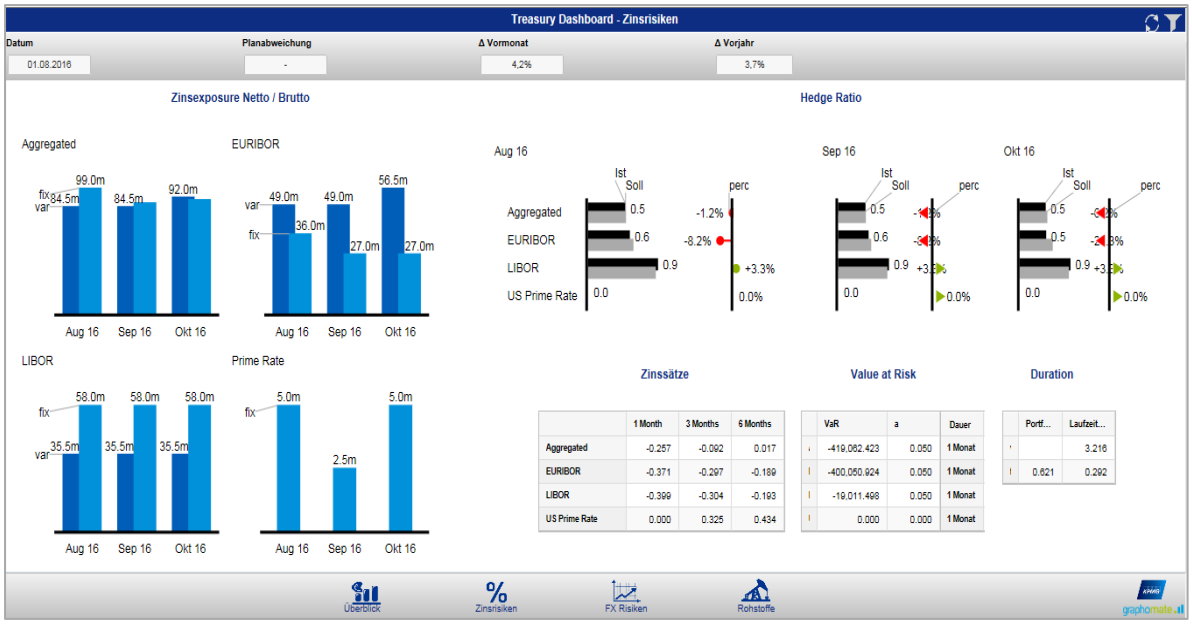
However, this requires the middle office to significantly increase the no-touch rate, particularly for complex risk reporting. “No-touch rate” refers to automation of reporting. The value contribution of the middle office lies in producing the right reports for the specific purpose.

The tools best suited to the specific reporting type are determined by devising and targeting Treasury reporting. There are different approaches for this: standard reporting, ad hoc reporting and dashboard reporting. On past experience, Treasury uses static standard reporting and ad hoc reporting for operational activities due to the strict definition of performance indicators; by contrast dashboard reporting is more often deployed for predefined analysis tracking and management reporting. For instance, reports on the cash position or borrowing are considered static reports as these are regularly prepared according to a fixed structure and are compared over time.

Ad hoc reporting involves dynamic data analysis and visualisation. This even enables BI technology to calculate risk ratios dynamically (run-time) and to show these for selected periods or risk portfolios. This enhanced type of risk analysis supports the specialist department in deriving specific countermeasures, and enables it to react rapidly to financial risks, such as entering into FX derivatives to mitigate risk.

**Designing according to principles**

In designing Treasury reports and dashboards, KPMG follows the principles of intuitive navigation and simplicity for design and implementation projects. The principles of Hichert SUCCESS® are combined with the respective corporate design in order to transport user-specific information relevant to decision-making based on the maxim *"as little as possible, as much as necessary"*, as shown by the following practical example:




Source: KPMG AG Wirtschaftsprüfungsgesellschaft, 2016

In deciding upon the display form, the target is – within the defined degree of freedom – to give the user as much freedom as possible to perform analysis while at the same time avoiding customised reporting preparation for third parties, thus simplifying the reporting process.

The essence of targeting Treasury reporting is to provide meaningful ratios using fully automated data integration for the respective reporting event along with transformation into a user-friendly front end; this is to enable for decisions to be made in the shortest possible time as to which, if any, measures need to be taken by Treasury.