

## Liberty streamlines its business performance management processes

Financial services giant Liberty Group has streamlined its Activity-Based Costing and transfer pricing processes with the implementation of Cortell Business Solutions's 'Transparent' application solution.

Liberty Group division director for finance Deon de Klerk says until the implementation of Cortell's 'Transparent' application, the Group had no Activity-Based Costing or transfer pricing functions. "Not only did we need to develop standards, policies and methodologies to deal with transfer pricing, but our finance department struggled to get a transfer pricing function bedded down throughout the organisation."

"The issues that needed to be addressed included creating a service level agreement process where business units would sign agreements for services received; handling committed costs that had been incurred for specific business units; and determining the cost drivers and volume sources for the charges. The lack of Activity-Based Costing made the task even more difficult because business units could not accurately cost the services they were selling to the Group," he explains.

With the implementation of Cortell's 'Transparent' application, Liberty successfully implemented a sustainable transfer pricing function across the Group. A transfer pricing charter and an arbitration committee was established and best practice documentation was created. The visibility and transparency of transfer pricing costs and charges was enabled and central administration was established to ensure compliance to the Group's methodologies.

Furthermore, the application ensured consistency in general ledger postings. Accurate reporting ensured better analysis of results and the transfer pricing results were fully integrated with Liberty's budgeting system.

The application's service level agreement module ensures that all costs transfer-priced were a result of authorised service level agreements between parties involved. As a Web-enabled solution, 'Transparent' has made it possible for Liberty to load services and structures via a Web interface.

"With standard volume functionality, the solution gives Liberty the ability to load actual, budget and forecast volumes for analysis, and it provides an invoice view to give business units an overall picture of all invoices for the applicable business units," says Greg Bogiages, director of Cortell Business Solutions.

He says the updates and importing of general ledger information is automated. "The transfer journal view allows users to audit the results as per the general ledger whilst the validation reports provide users with a record of validation errors. The notification engine allows system events to notify users automatically via e-mail. In addition, the application has a copy and delete function that caters for the mass copy and delete of services, structures and volumes."

Transparent requires limited bandwidth and has been implemented on Liberty's existing Microsoft SQL server. It utilises existing user software for mass imports and analysis, and has been customised to suit Liberty's security model and policies.

De Klerk says the solution was implemented in two phases. "During the first phase, transfer pricing principles needed to be defined and applied throughout the organisation. It also included drafting and approving a transfer pricing charter; putting the necessary arbitration structures and procedures in place; and defining the requirements and templates for service level agreements."

"The second phase of the project involved business unit specific consulting. Due to the lack of Activity-Based Costing throughout Liberty Group, we needed to spend time doing detailed analysis and consulting at specific business units," adds Bogiages. "Three business units were selected namely Group IT, Group internal audit, and Group legal. Together with Liberty, we performed costing exercises to determine the

cost of the services that these three business units were rendering to the Group. Each service was benchmarked against industry standards and the volume sources were identified.”

Cortell provided training as part of the implementation to ensure that on completion, all users in the Liberty Group could make full use of the solution, and transfer pricing results could immediately and successfully be generated.

De Klerk says Liberty runs a number of different general ledger applications and Cortell customised the Transparent application to accept certain data from the general ledgers automatically. “This ensures that the cost centre, general ledger account and division information is automatically updated by the Transparent application. As part of the customisation, Cortell also ensured that the application outputs were modified to comply with our standards and rules.”

“Cortell also custom-wrote a VAT Rules Module that gains information from the SAP General Ledger and determines whether VAT should be raised on transfer pricing transactions based on the parties involved,” he concludes.

## **ENDS**

### **More about Cortell Business Solutions**

Cortell Business Solutions designs and implements intelligent business solutions for a vast cross-section of clients on a global scale. The Company is associated with Cortell International who currently has projects in Canada, the USA, Singapore, Australia, New Zealand and South Africa. Since its inception in 1992, Cortell has invested a great deal of time, conceptual thinking and manpower in developing business intelligence methods and performance measurement tools.

In 1996, Cortell expanded into an international company that currently operates from offices in South Africa, Australia, New Zealand and North America. Today, Cortell forms a nucleus of ventures across the globe. While each company within the group maintains its individuality, it shares people, knowledge, expertise and world-class technology to deliver similar solutions to its clients.

More recently, the JSE listed BEE financial consulting and business advisory group, SAB&T Ubuntu Holdings Limited (SUHL), acquired a majority shareholding in Cortell Corporate Performance Management. The companies have a longstanding relationship and have worked on various contracts together over the past ten years.

Cortell Business Solutions focuses on extracting business intelligence information for the measurement and management of critical business processes and issues through the design, development and implementation of large scale modelling, budgeting, and reporting solutions; performance management systems to render operational excellence and achievement of financial results; executive information systems to help managers keep their "fingers on the pulse"; customer and market intelligence to provide insight into customer profitability, relationships, and services; and costing systems to identify ineffective processes or products.

Cortell operates in the financial services, health services, logistics, public sector, manufacturing, retail and tertiary education industries.

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