



Operational Framework - Exceptions Reporting

Briefing Document

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1 Use of This Document

This document presents some answers to common questions about Exceptions Reporting. Aimed at all those involved in the preparation and use of exceptions reports, this document outlines what the reports are, why they are used and how and when to complete the reports. Section 2 describes exceptions reporting and an example is presented in the appendices. Section 3 addressed commonly asked questions about Exceptions Reporting, whilst the use of agendas and minutes of meetings with exceptions reporting are addressed in Section 4 and 5 respectively. The implementation recipe is provided in Section 6.

2 Exceptions Reporting

The purpose of exception reporting is to deliver outcomes for the business through the provision of required information for decision making. Exception reporting is about noting the issues and what is being done to address them. Exceptions reporting focuses on what is “going wrong” and how and when the issues will be sorted, i.e. they tend to convey bad news only. In addition to being effective in reporting issues, exception reporting has benefit in driving cultural change, accountability, ownership and change the “good news only” syndrome that may exist in many large organisations. Issues will be sourced from top down and bottom up feedback and input. The following are required for exceptions reporting:

- Governance Body – A pro-active board or committee that the reporting goes to for actioning, follow up and resolution. In the case of a Board, this is the governance body for an organisation.
- Feedback mechanism – A way for the governance body to provide feedback to the business and accountability to the business.
- Owner – An owner responsible for issues and activities in a given area of business to make sure the reporting and required activities occur.
- Audit Function – A function for auditing issues.

A report should be designed to answer one specific question and this is its purpose and focus. Whilst a report may also address other questions, having one report addressing too many questions leads to confusion and ambiguity.

The reporting should be:

- At set intervals, e.g. weekly as part of business activity, or as special circumstances require.
- Against progress made according to the minimum business benchmarks.
- Independent of a financial year, i.e. issues to remain active until resolved.

An example report is shown in Table I.

Business Area	Issues Identified	Actions Required	Owner	Resolution Date	Progress
Operations	Customer tracking system not support policy origination outside of Australia	Executive leadership to approve expenditure	GM Operations	Mar-09	R

Table I. Illustration of Exceptions Report.

Where:

- Business Area – Area of business impacted.
- Issues Identified – Issue that action is required on.
- Action Required – What action is required to progress to resolution.
- Owner – Who owns the issue.



- Resolution Date – Expected date of resolution of the issue.
- Progress – A statement on progress, e.g. Red / Amber / Green. Usually only Reds or Ambers would be reported.

Irrespective of the definitions adopted for reporting progress, the definition needs to be detailed in the report. An example is as shown in Table II.

3 About Exceptions Reporting

Answers to common questions about Exceptions Reporting are as follows:

What is an Exceptions Report?

It is a report that presents the main issues, based on exceptions or variations from normal operations, to a Board / entity for resolution.

What is the purpose of an Exceptions Report?

The purpose of an Exceptions Report is to provide key information in an informative and prioritised way.

What is the benefit of an Exceptions Report?

An Exceptions Report has many benefits but most significant are its ability to free up time and to focus priorities for decision making.

Who else uses an Exceptions Report?

Exceptions Report are widely used by Boards and Executive Management in business, as well as across an organisation down to line and operations managers. There is nothing new here that is not proven in many other businesses.

Are Last minute changes allowed to the Exceptions Report?

No. Board level documents should be prepared in advance and circulated to stakeholders so that they are across the issues before the meeting. An exception to this can be made by a decision of the Board.

Exceptions Reports only present “bad news”?

Yes. That is their purpose. You can't action good news¹. The good news is presented in many other ways.

Can I use the Issues Identified to report good news?

No. Why would you? There are many other appropriate vehicles for this, e.g. routine reporting.

How do I report other information that is of interest but is not an exception?

Use the meeting agenda and other reporting mechanisms for general information.

Is an Exceptions Report an official document?

Yes in this case. Like the Minutes of the meeting, the reports form a record of a Board and organisational activities.

Can I use a similar approach within an area of operation?

Yes. The idea is that the same approach would be used at all levels, with the results being aggregated up to have the “big tickets” at the Board level only.

How are the reports compiled?

Stakeholders should be e-mailed a DRAFT version 12 working days before a Board meeting.

Stakeholders will edit their contributions and return 7-working days before the Board meeting. The results should be compiled and sent out 5-working days in advance of the meeting together with other Board papers.

Who decides if an issue should be reported?

¹ If the report is all good news it means either the wrong information is being reported or there are no issues.



Depending upon the implementation and an escalation of issues through an organisation, then it would fall to Senior and Executive Management, though Board members can add issues as well.

How does a Board check on the Exceptions Reported?

From time-to-time, a detailed report on activity in an area of operations would be requested by the Board and discussed as an Agenda item.

What are the flags (R/A/G)?

This is a simple way to provide reporting information and stands for Red (R), Amber (A), Green (G). This follows the familiar traffic light convention, Table II.




Category	Flag	Definition
Progress		RED: No progress and/or major slippage in schedule.
		AMBER: Limited progress and/or slippage in schedule
		GREEN: Proceeding to schedule

Table II. R/A/G flags.

4 Exceptions Reporting & Minutes

The purpose of the Minutes is to record what was discussed at the meeting and any action items coming out of it. By their nature, Minutes of meetings are operationally focused, whilst Exceptions Reporting is the bigger issues. There will always be an overlap between Minutes and an Exceptions Report. The two are used together as a tool for decision making and management.

5 Exceptions Reporting & Agenda

The Agenda for a Board Meeting and the Exceptions Report work together. Answers to common questions about Exceptions Reporting and an Agenda are as follows:

How is the agenda compiled?

12 working days before the Board meeting, stakeholders advise the appropriate party of items they need the Board to discuss.

A draft agenda is compiled and sent to the Chairman for review.

5-working days before the Board meeting, stakeholders shall receive a copy of the agenda, together with other relevant documents.

Changes to the agenda can be requested in the meeting.

Who puts my issues on the agenda?

It is the responsibility of each stakeholder to ensure that their issues are included.

How do I get an item on the agenda?

To propose an item for the agenda please e-mail the following to the designated party in a timely manner for the appropriate meeting:

- Your name.
- Impacted area of responsibility (if appropriate)
- What item you want added.
- Details of the item to be added.
- How long you need for discussion.



What do I do if I do not understand an agenda item?

If you are not sure of an item please feel free to ask the respective owner of the item. This is significant to cross-portfolio activities.

How do I arrange for the removal an agenda item?

Send an e-mail to the designated party, in a timely manner, requesting that the named item be removed from the agenda for this meeting.

How do I arrange for a change in an agenda item?

Send an e-mail to the designated party, in a timely manner, requesting that the named item be changed and to what it is to be changed to.

6 Recipe

A recipe for the process of a manual creation of an Exceptions Report for a Board or Executive Leadership is as follows:

Ingredients

Board mandate

Capable facilitator

Copy of Operational Framework – Exception Reporting Briefing Document

Engaged Executive Leadership and stakeholders

Identified owner of the Exceptions Report and process

List of key business areas and stakeholders

Instructions

1) Facilitator to obtain mandate from the Board and to have the Board communicate this to the organisation, Executive Leadership and other stakeholders.

2) Facilitator to brief Executive Leadership on the use of Exceptions Reporting, particularly the benefits. Use Operational Framework – Exception Reporting Briefing Document and any related presentations as required.

3) Executive Leadership to appoint key stakeholders to assist in the implementation process.

4) Executive Leadership to appoint an owner for the Exceptions Report and for the process.

5) Identified Owner and Executive Leadership to brief stakeholders and on the process required. Use Operational Framework – Exception Reporting Briefing Document and any related presentations as required.

6) In face to face meetings, Identified Owner to take stakeholders through the process for completing and submitting an Exceptions Report.

7) Facilitator to follow up for the next two reporting periods to ensure that the process is working and to address any other relevant issues.

A full organisational approach depends upon the implementation of issues management across the organisation, though any implementation would follow a similar recipe to that described previously.



Example Exceptions Report

Business Area	Business Activity	Issues Identified	Actions Required	Owner	Resolution Date	Progress (R/A/G)
Area	Activity	Issue	Action Required	TBA	Nov 2008	A
	Activity	Issue	N/A	GM Operations	Mar 2009	G
	Activity	Issue	Action Required	CEO	TBA	R
Area	Activity	Issue	Action Required	CFO	Jun 2009	A
	Activity	Issue	N/A	N/A	N/A	G
Area	Activity	Issue				A

