KPMG

Road to Digital for a
Successful
Finance Function

2021

KPMG in Romania

Finance should make the jump to a digitized function to properly support business growth

Finance as we know it will change radically in the future. Automation will dramatically change the size, structure and delivery model for finance.
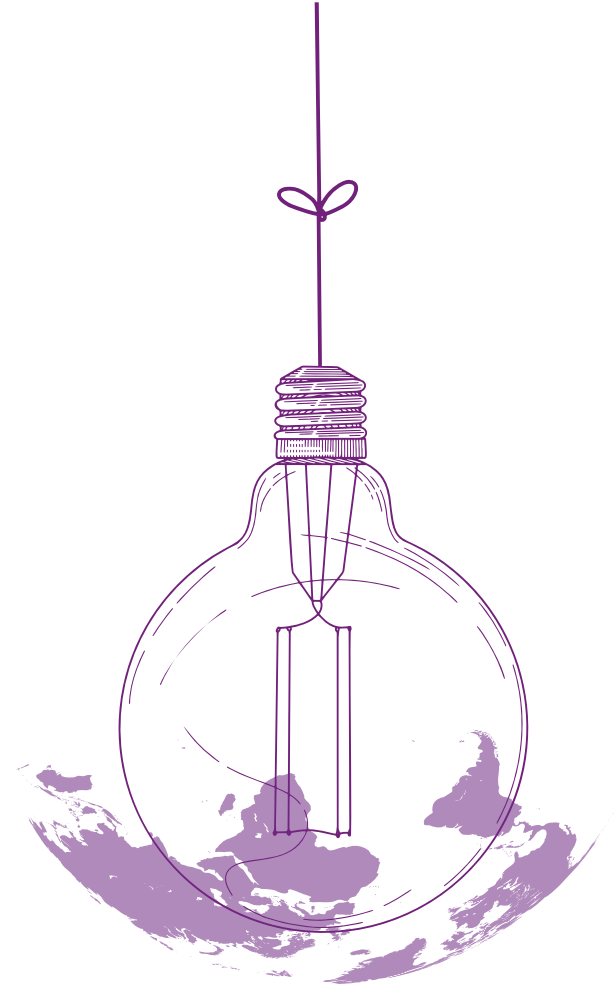
Today and looking forward, successful businesses will be those that will be able to properly define their strategy and long-term plan, supported by medium and short term measures aimed at implementing the strategy and enabling the organization to achieve its vision and mission. Businesses need to overcome a number of challenges, like: enabling digital transformation, driving down operating costs, increasing revenue and profits, managing talent shortages, dealing with regulatory burdens, cyber security risks and many others.

Finance Functions are in the right position to support businesses in achieving their objectives and overcoming the challenges, but in order to do that, they need to be onestep ahead in terms of efficiency of processes, quality of the people and the level of embedded automation in day-to-day activity.

In order to sustain growth, Finance should be flexible in its operations and the solutions provided to the business. And to do that, Finance needs to have the right tools and methods to navigate the uncertainty we are all facing. Because today, the only certainty is that almost everything is uncertain.

Manufacturing

Procurement

Supply Chain

Operations

Sales

Service → CFO Office ← Marketing

Today's CFOs face multiple challenges

Determining the finance strategy
Building the vision, strategy and long-term roadmap

Optimizing the cost of finance
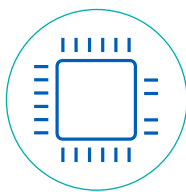Driving function efficiency with delivery model optimization

Enhancing business partnering
Improving the service the function provides the business

Evolving financial systems
From simple enhancements to platform shifts to the cloud

Enabling digital capabilities
Implementing automation, analytics etc.

Integrating mergers and acquisitions
Integration and disposition of activities

...and should have a clear agenda for disruption

Leading strategy and capital

- Increasing role in innovation
- Trends and economics behind disruption
- Approaching disruption at the organizational level
- Maintaining an innovation portfolio
- Disciplined portfolio process and structure

Risk management

The response to disruption has an impact on how risks and controls are managed in an organization and creates a need to continuously evolve.
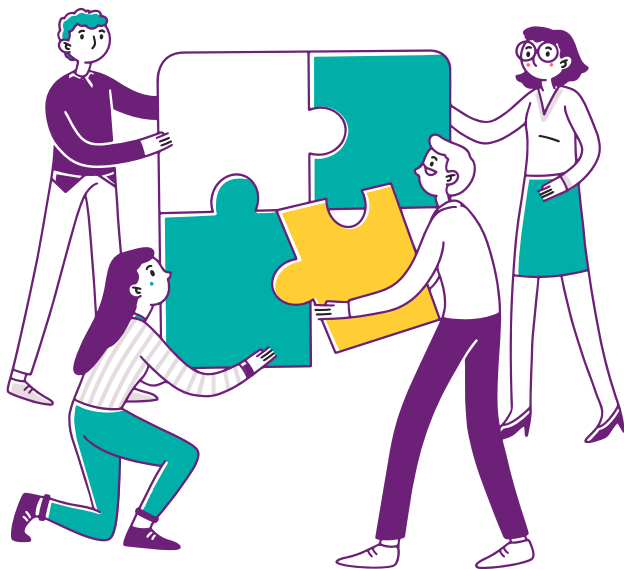
Automation
Integrating new technologies:
- Cloud ERPs, Robotics
- Artificial intelligence
- Low-code / no-code platforms
- Mobile

Insights and analysis
New insights through:
- Automated descriptive and diagnostic analytics
- New predictive and prescriptive analytics
- Integrated business planning
- Local decision support

Organizational simplification
Changing work:
- Fewer people
- Less hierarchy
- Fewer offshore locations

Skills and talents
Changing requirements:
- Both strategy and finance skills
- Process and control leaders
- Skills in relationship building and collaboration

Top trends in Finance show focus on digital transformation

Adoption of intelligent automation has a positive impact

The ongoing adoption of IA and other innovative technologies continues to have an enormously positive impact on organizations' Finance activities. But most organizations have yet to adjust their business processes and talent strategies to fully exploit these technologies.

Talent pool impacted by adoption of technology

Though a perennial challenge, talent issues are even more acute than in the past, with tight labor markets and high demand for skills required to adopt intelligent automation, making talent management challenges the top negative factor for organizations' business operations in 2021.
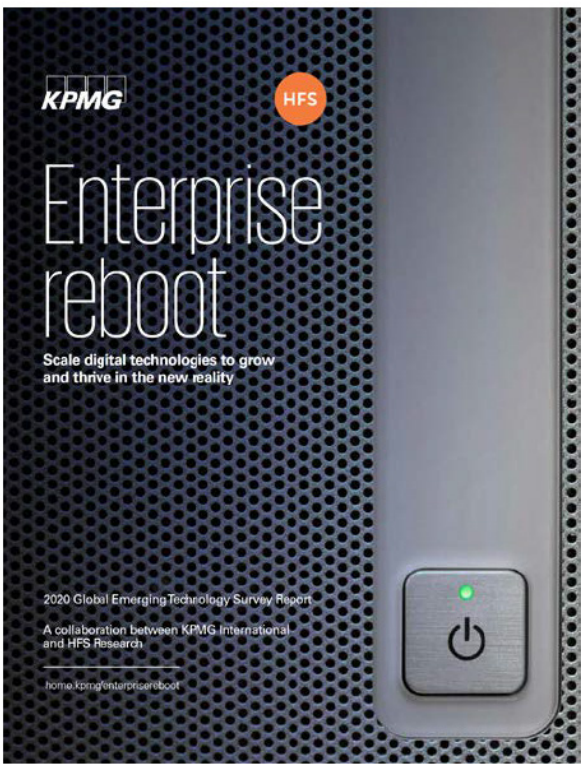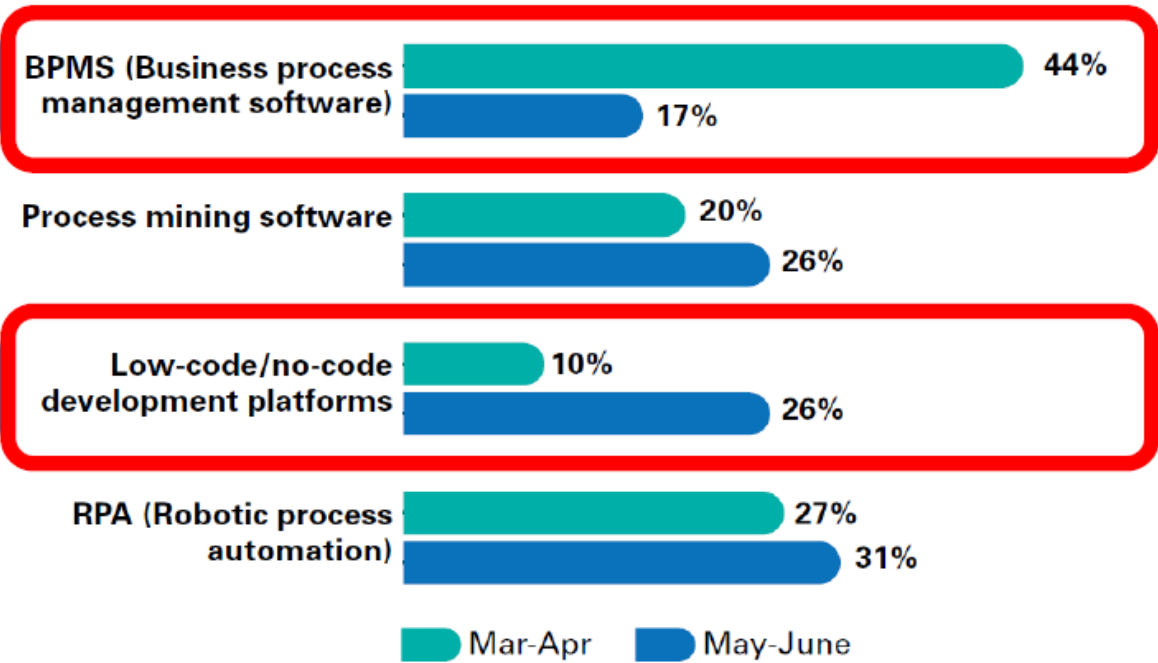
Operating models insufficiently evolved

Operating Finance models and processes have not yet evolved to accommodate the potential of intelligent automation, with dysfunctional operating models and processes presenting the single greatest challenge to organizations achieving their most important objectives.

Automation priorities shift towards more advanced capabilities

Most important investments before and after Covid-19 (2020):

- BPMS (Business process management software): 44% (Mar-Apr), 17% (May-June)
- Process mining software: 20% (Mar-Apr), 26% (May-June)
- Low-code/no-code development platforms: 10% (Mar-Apr), 26% (May-June)
- RPA (Robotic process automation): 27% (Mar-Apr), 31% (May-June)

Legend: Mar-Apr, May-June

KPMG HFS

Enterprise reboot
Scale digital technologies to grow and thrive in the new reality

Leading Finance Functions have ten characteristics

Common Observations

Most finance functions:

- Are optimized for accounting and historical reporting
- Perform fiduciary and statutory requirements adequately
- Have limited involvement with business strategy due to weak business insight
- Often lack analytical skill sets and business acumen
- Have a high cost structure, resulting from decentralized finance resources, lack of standards and proliferation of financial systems

Current State
Transaction Focus

Reporting and Budgeting
Creation of value for the enterprise

Measuring and Controlling Financial Risk
Protecting enterprise value

Transaction Processing
Operating Finance efficiently

Future State
Information Focus

Integrated Business and Financial Planning & Analysis for Value Creation

Measuring and Controlling Financial Risk / Managing Governance

Business Partnering Services

Ten Leading Finance Function Characteristics

01. Global operating model with high leverage of Shared Services / Centers of Excellence.
02. Business partner oriented role / strategic advisor.
03. Information driven vs. transaction driven.
04. Unified performance management platform that supports consolidation, planning, forecasting, and analytics (the right information).
05. Global / core ERP platform for core finance processes.
06. Standardized, integrated, automated processes.
07. Centralized, automated and preventive business controls / data, reporting and process governance in place.
08. Optimized tax and treasury, tax-efficient supply chain.
09. Simplified and standardized data structures (legal entities, cost centers, etc.).
10. Finance competency models and career path.

We address challenges and support CFOs through an integrated approach to Finance transformation

Key framework aspects

Service Delivery Model

Describes how finance services are delivered. Includes Shared Service Centers, Centers of Excellence, and outsourcing concepts.

People

Describes how the people are organized, including lines of reporting and spans of control. Outlines skills, roles, responsibilities and support activities for each process area.

Functional Process

Outlines how specific process steps link to functions or departments that perform each step and accompanying policies / procedures to be followed when performing the process steps.

Supporting Technology

The applications that are used to enable the processes, policy compliance, internal controls, and generation of reports.
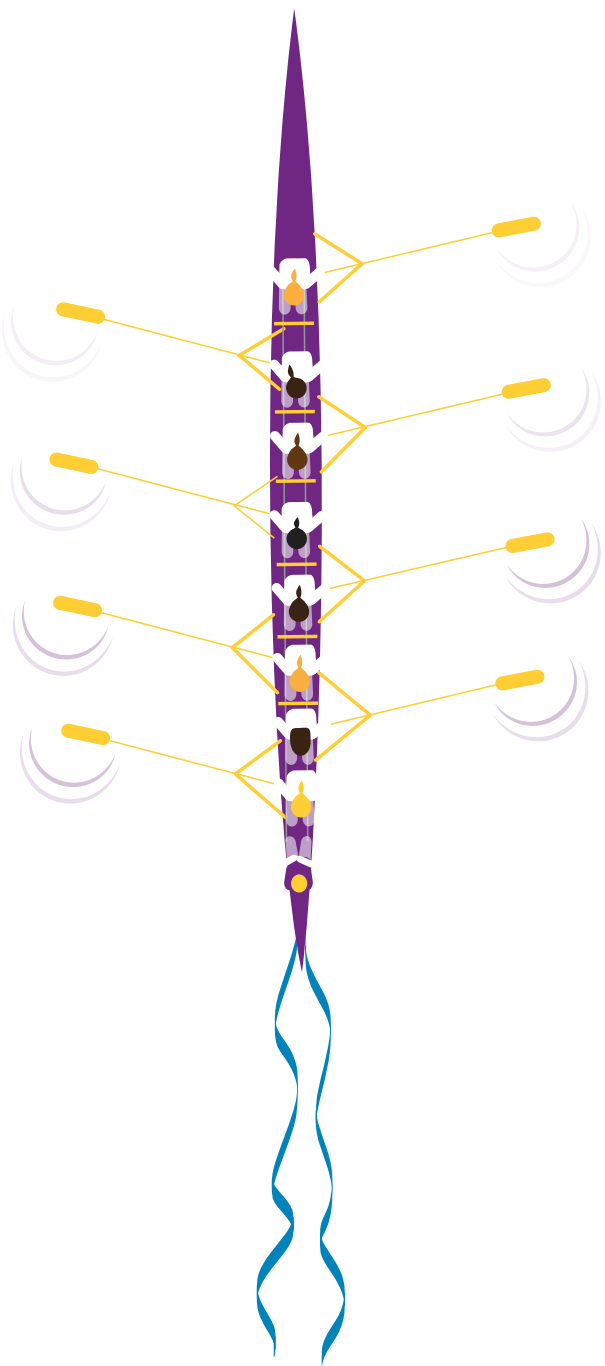
Data and Reporting

Includes information requirements to drive key business insight and enhanced decision making, which enables key financial reporting needs, management reporting needs, and analytics.

Governance or Controls

Identifies the specific controls that are in place to mitigate the risk of processing, financial and operational errors to help reduce operational and financial risks and exposure, and governance to manage data, processes and reports.

Business & information strategy alignment

KPMG's pre-requisites for a successful road to digital

We use a detailed set of actions from set-up to design of the Target Operating Model (TOM), resulting in a value-focused transformation plan and roadmap.

6 - 8 weeks

Setup ▶ ▶ ▶

- Define the objectives of the project, the project plan and key stakeholders
- Set up and agree the project team and governance and the related roles and responsibilities
- Request in advance the documentation for the current situation
- Plan the discussions and interviews in advance, so the project creates minimum disruption to current activity
- Organize the kick off meeting

- Set-up requirements document
- Client customized diagnostic tool
- Project work plan

Diagnose ▶ ▶ ▶

- Assess survey data (quantitative) and client interviews (qualitative)
- Perform gap analysis against industry benchmarks
- Conduct digital assessment
- Conduct maturity assessment
- Analyze above to form initial hypothesis
- Synthesize hypothesis; create preliminary findings and determine impacts around capabilities and stakeholders

- Gap analysis for processes and digital landscape (vs industry best practices)
- Initial insights based on data input from client
- Initial hypotheses, findings, and impact for client to validate

Transform ▶ ▶ ▶

- Agree main findings, initial hypotheses, and impact with key stakeholders
- Formulate recommendations based on these
- Create business case with prioritized recommendations
- Sequence agreed recommendations into phased transformation roadmap
- Develop high-level implementation plan to execute roadmap

- Client validated hypotheses, insights, findings and impact assessment
- Improvement recommendations
- Phased implementation roadmap
- High-level implementation plan

Design Target Operating Model ▶ ▶ ▶

- Document the optimized organizational design
- Document the future processes, digital landscape, RACI and RCM matrices
- Embed new technologies in processes design
- Define KPIs
- Improve governance
- Define future roles, skills, responsibilities
- Reporting

- Organizational chart
- Flow charts for the future processes
- Low level architecture design document
- Responsibility matrix (RACI) and Risks and control matrix (RCM)
- Key Performance Indicators

Implement

- Mobilize resources
- Change management
- Communication plan
- Deploy the changes and new ways of working into the business
- Evaluate results

- Governance execution
- Implementation of Target
- Operating Model
- Assessment, selection and implementation of technological platforms
- Training execution
- Lessons learned review
- Continuous improvement launch

Our service offerings

The KPMG Road to Digital Finance service offerings can enable finance functions to be a catalyst for growth and provide key strategic decision support that is strictly governed by the proper processes, controls and technologies.

Our service offerings

Develop a finance vision strategy, opportunity case and roadmap.

Help optimize core financials, transactional processes, and service delivery model through technology.

Finance assessment and strategy	End to end process transformation	Finance organization design and optimization	Integrated business planning

There are typically 12 processes in scope for digitalization

- Accounts Payable
- Accounts Receivable
- Travel & Expenses
- Fixed assets
- General Ledger
- Bank Accounting
- Petty cash
- Treasury
- Inventories
- Budgeting
- Consolidation
- Tax

KPMG

Case studies

Digital Optimization

6 steps methodology

01 FRAME
Clearly understand the problem and opportunities

02 DISCOVER
Quantify and qualify the problem and opportunities

03 IDEATE
Co-create a range of concepts to test

04 PROTOTYPE & TEST
Create and test specific solutions in real-life customer scenarios

05 PRIORITIZE & SCALE
Once a range of concepts have been tested and proven, it's time to prioritize and scale

06 SUSTAIN & EVOLVE
Solutions need to evolve and continuously improve, with fast changes in technology and customer expectations

Case Study 1

Custom dashboard – complex P&L analysis

The custom D&A solution is built around a central MS Power BI tool that is connected to the client's Data Warehouse that will monitor and analyze the variation of the most important P&L elements used in the reporting process.

The user may also compare the P&L elements between pharmacies as well as compare the pharmacies' overall results with clusters or regional consolidated data.

Client: leading Pharma industry distribution company and its branches

Dashboard

- ✓ Contribution profit
- ✓ Net revenues
- ✓ Net margin
- ✓ Evolution of main indicators
- ✓ Top loss pharmacies
- ✓ Evolution comparison

Main analyses integrated:

- Profit and Loss elements per pharmacy (including historical, actual and forecast data)
- Top gain for pharmacies based on Net Revenue or other selected elements
- Top loss for pharmacies based on EBITDA or other selected elements
- Evolution comparison between pharmacies or against regional data

Case Study 2

VAT optimization

Client

leading food processing company in Romania

In scope

VAT compliance process and delivery notes booking registration.

The 2 UiPath dedicated robots help to eliminate the risk of human error related to data processing and manual entry posting in the ERP platform, while fastening up the entire process.

Easy system integration

Complex data processing

Auditable results

Time and costs saving (more than 3 FTEs)

Custom reports and dashboards

Eliminates human error risk

Benefits for the Financial team:

- Reducing the processing time for FTEs from 3 days to less than 15 minutes
- Notification after each successful transaction
- Notification in real time if a difference or an issue is identified by the robot
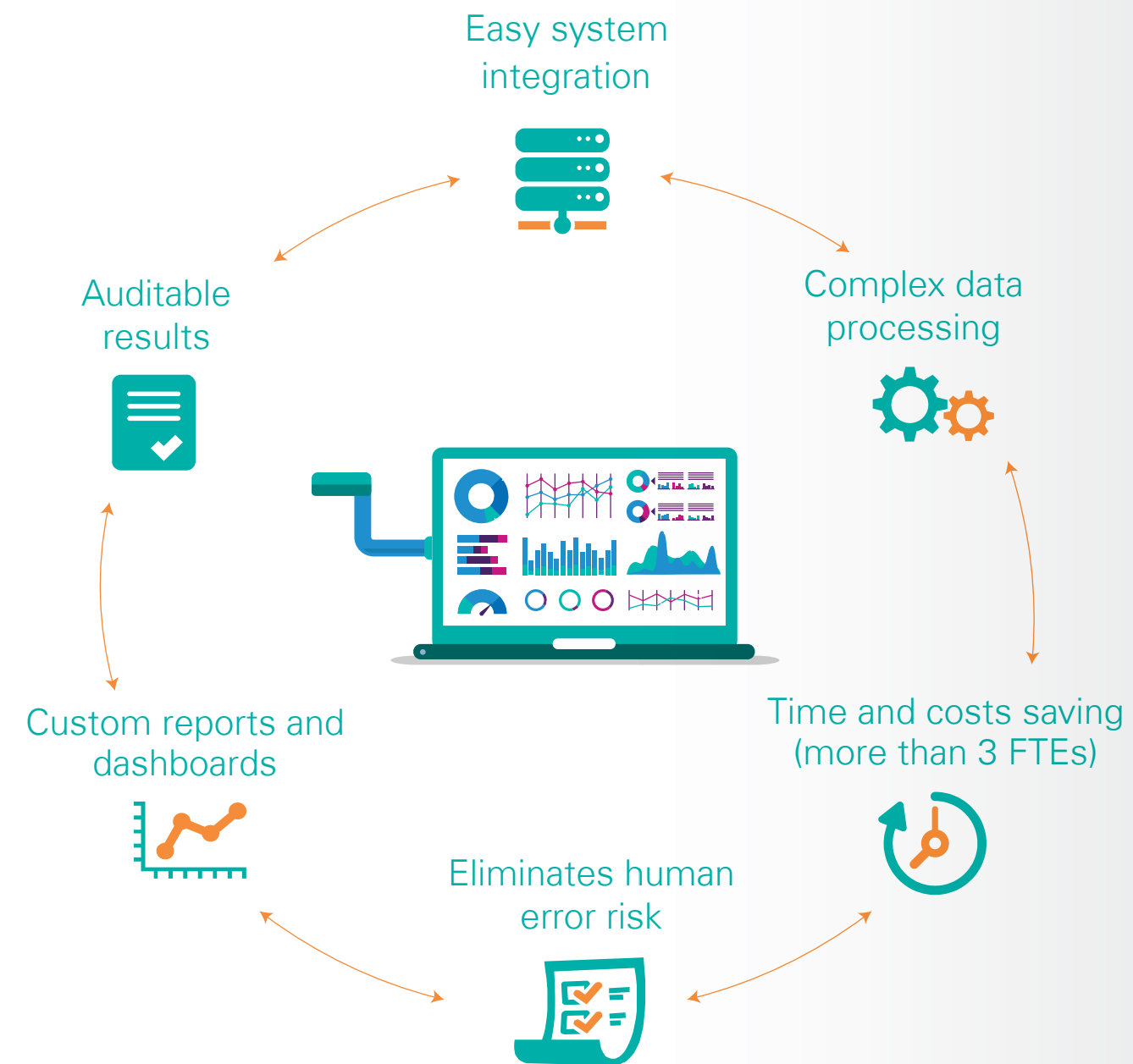
Case Study 3

Automation of invoice clearing process

Client

Oil&Gas company from the Netherlands

In scope:

24/7 Unattended UiPath robot that automatically reconciles cash collection reports received via e-mail from the Finance team in the Singapore office. The Robot connects to MS Dynamics Navision ERP, automatically identifies the correct invoice and performs the reconciliation / clearing.

Benefits for the Financial team:

- Notification after each successful transaction
- Notification in real time if a difference or an issue is identified by the robot

Data Processing

Data Validation

Invoice Clearing Module

Microsoft Excel

Micorosft Navision

Input from Management via Emails

Data Preparation

Microsoft Outlook

Alerts and Notifications System

Finance Department

Deliverable Acceptance
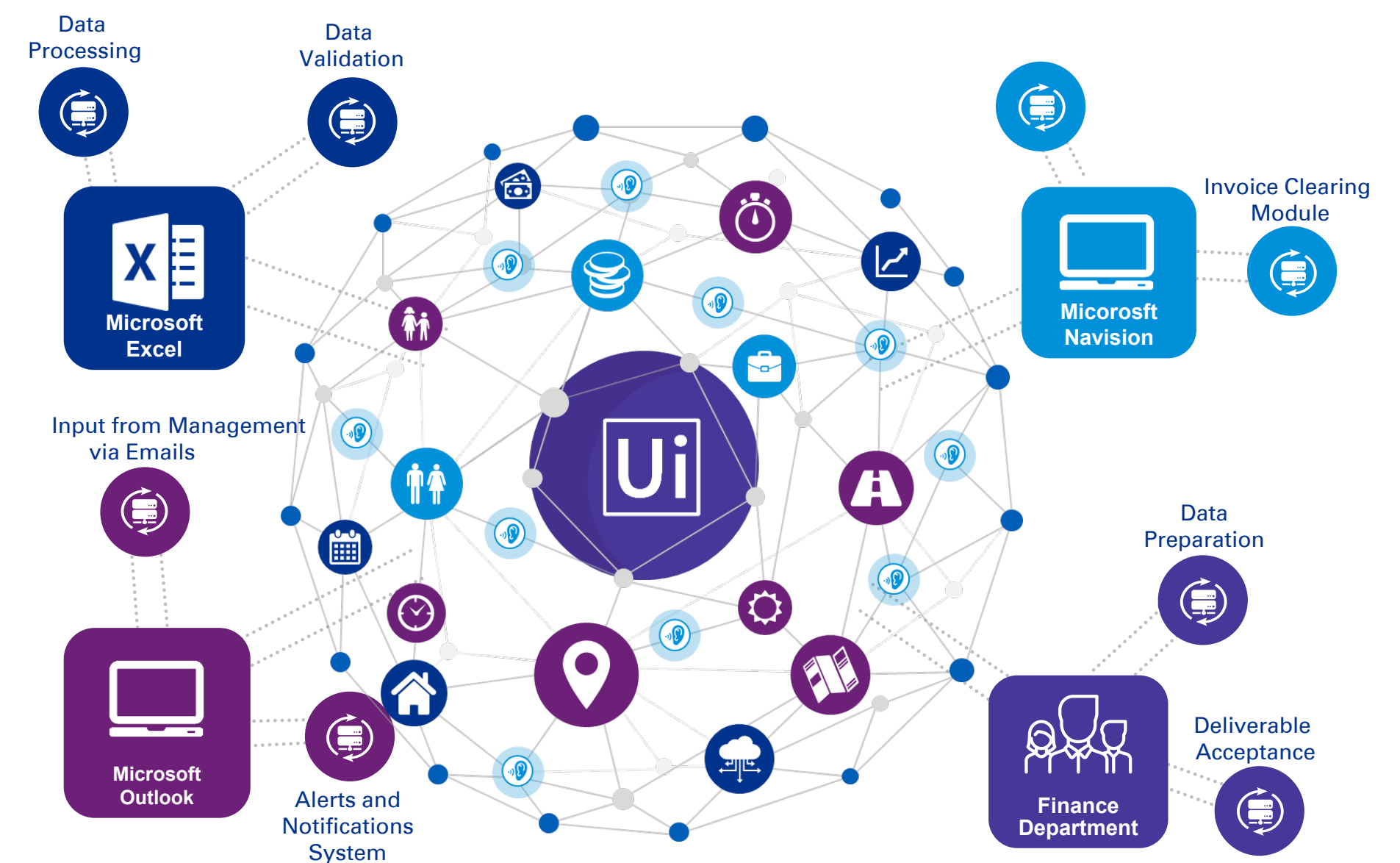
Case Study 4

Automation of the device ordering process

Client

One of the 3 largest Telco companies in Romania

In scope

Automating back-office processes using RPA Technology for sales and acquisition, on-boarding, management of third parties and reporting.

Benefits:

- Savings of 4 FTEs in the first month
- Decreased SLA time
- 24/7 processing
- Reduced risk of human error

Enhanced Architecture

- On-boarding process (CRM and ERP)
- Client loyalty program
- Custom dashboards, alerts and notifications
- Warehouse – Inventories to orders check
- Budgeting and retention management processes
- **RPA**
- Systems integrations (using UI or APIs)
- Automation of services requests
- Credit Vetting processes
- Client accounts management
- Creating and managing priority queues

KPMG Catalogue of Solutions dedicated for Finance Automation

Finance	Description	Technology	Delivery Country
Finance – Fixed Assets	**Process:** Fixed Assets validation procedures **Scope:** Automated activities for Fixed Assets Register reconciliation, Table of Movement, depreciation test, validation of movement in reevaluation reserve.	Python	Poland / Romania / Saudi Arabia
Finance – Equity	**Process:** Equity Table of Movement (TOM) **Scope:** Preparing the Equity TOM and ratios working paper and Statement of Changes in Equity (SOCE) based on the movement of equity accounts.	Python	Romania
Finance – Inventory	**Process:** Inventory **Scope:** Automated checking of the FIFO method used for assessing the Valuation of Inventories.	Python	Romania
Finance - Sales	**Process:** CRM Invoicing Robot **Scope:** RPA solution, which is easy to integrate with CRMs, that monitors the invoicing flow and due-dates, and sends notifications to clients.	UiPath	Romania
Finance – Data Validation	**Process:** Journal Entries (JE) selections using IDEA processing tool **Scope:** Robot that operates predefined validation of JE IDEA selections.	UiPath	Sweden / Romania
Finance – Data Validation	**Process:** Journal Entries Roll-Forward **Scope:** JE Roll-forward procedure for JE DB with more than 1 mil entries.	Python	South Africa / Romania
Finance – Data Validation	**Process:** Payroll data validation **Scope:** Analytical review; Monthly salary analysis; verification of Social Contributions; Reconciliation with Statement 112.	Python	Romania

Finance	Description	Technology	Delivery Country
Finance – Data Validation	**Process:** Reconciliation of Sub-Ledger with Trial Balance **Scope:** Automated reconciliation of Sub-ledgers and account details with Trial Balance. The robot facilitates simultaneous reconciliation of multiple Sub-Ledgers.	Python	Romania
Finance	**Process:** VAT Statements reconciliation **Scope:** Reconciles the monthly VAT statements with VAT accounts in the Trial Balance.	UiPath	Romania
Finance	**Process:** Exchange rate extractor from NBR **Scope:** Automated download of the exchange rates for a specified currency by connecting to the National Bank of Romania web site.	UiPath	Romania
Finance	**Process:** Audit Planning Tool **Scope:** Automated mapping of the Trial Balance accounts to Financial Statements Captions. The robot also facilitates the preparation of the related Lead Sheets.	Python	Moldova
Finance	**Process:** Account Payables (AP), Account Receivables (AR), Inventory Turnover **Scope:** Automated calculation of AR, AP and Inventory turnover ratios.	Python	Romania
Finance – Reporting	**Process:** Financial Statements roll-forward and accounts mapping **Scope:** Automated roll-forward process for Financial Statements, based on the prior period data. Automated mapping of the current period figures based on the specific local FS Template.	Python	Switzerland
Finance – Reporting	**Process:** Trial Balances **Scope:** Automated validation of trial balances used for the Reporting process.	Python	Romania
Finance – Reporting	**Process:** P&L **Scope:** Automated centralization and validation of the P&L accounts in a yearly overview starting from the Monthly P&L for the Reporting process.	Python	Switzerland

Finance	Description	Technology	Delivery Country
Finance – Tax	**Process:** InterVAT validation **Scope:** Automated validation of VAT .xml to PDF statements by uploading them on the InterVAT platform and sending them back to the requestors via e-mail.	UiPath	Belgium
Finance – Tax	**Process:** VAT Compliance Robot (Bahrain country specific legislation) **Scope:** VAT Compliance process (Calculation of VAT based on AP/ AR transactions journals, connection to local authorities' websites, custom client systems integration, custom reports, dashboards and RAG files).	UiPath	Bahrain
Finance – Tax	**Process:** Transfer Pricing report preparation (TP) **Scope:** Automated research, collecting and processing of TP information on specific research tool (AMADEUS International). Preparing specific TP file reports.	UiPath	Romania
Finance – Tax	**Process:** GMS Apps (Global Mobility Service) **Scope:** Automated building of GMS reports and tax calculations, based on payroll and clients' data on employees.	UiPath	Romania
Finance – Tax	**Process:** Life insurance statements **Scope:** Custom Application for Insurance clients that processes, validates and drafts Life Insurance statements based on the client's information as per Local Authorities' requirements.	Python	Romania
Finance – Tax	**Process:** Corporate tax compliance (Romanian specific tax legislation) **Scope:** Corporate tax compliance processing (Automatic calculation of the corporate tax position and preparation of the return based on the Trial Balance, with Cloud storage of the relevant supporting documentation).	Microsoft Azure Stack	Romania
Finance – Tax	**Process:** Capital Gains Calculation for Stock Exchange transactions **Scope:** Automated calculation of WAC analysis for the shares traded on the Stock Exchange. Preparation of various KPI analyses and Fiscal Statements.	Python	Romania

Finance	Description		Technology	Delivery Country
Finance – Acquisitions	**Process:** Preparation of draft VAT statements and posting of transport notices in the client's ERP		UiPath	Belgium
	Scope:	Automated preparation of draft VAT statements, using the client's sales and purchasing journals, and based on local legislation and requirements. Automated input of transport notices from each client's place of work into ERP.		
Finance – Acquisitions	**Process:** Purchase to pay		UiPath	Bahrain
	Scope:	Builds sheets from which invoices are generated for SAP (LSMW folder). Initiates upload process and books entries in SAP. Archives received invoices. About 26.000 transactions per e-services provider are copied and pasted in excels to generate LSMW.		
Finance – Invoice processing	**Process:** Transfer Pricing report preparation (TP)		UiPath	Romania
	Scope:	Automated research, collecting and processing of TP information on specific research tool (AMADEUS International). Prepares specific TP file reports.		

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