

HOW ENABLING **VIRTUAL** **FINANCE OPERATIONS** CAN HELP ORGANIZATIONS BE FUTURE-READY

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The COVID-19 pandemic has drawn sharp focus on the digital transformation efforts of organizations. The rapid shift of people and processes to remote working has been an excellent stress test of existing platforms and tools, and the resulting business continuity and agility have allowed organizations to clearly assess their Return on Investments (RoI) from transformation initiatives. Finance operations are no exception to this scrutiny. Finance functions that successfully moved to sophisticated, cloud-based Enterprise Resource Planning (ERP) systems saw the benefits of enhanced visibility and efficiency, with no loss of rigor or control in virtual setups.

However, the crisis caught many companies that were still running a hybrid model — partially manual operations over an on-premise ERP system with no integrated platforms and a traditional close process — on the back foot. A well thought-out solution, with a systematic implementation plan and transformation framework,¹ can help Chief Financial Officers (CFOs) move from a hybrid model to a completely Virtual Finance Operation (VFO). Bearing in mind that all CFOs are passionate champions of risk management, controls, audit and governance, this article looks at how finance teams can be enabled to virtually access, communicate, perform, review and close ledgers with the same rigor as on-premise teams.

¹ <https://www.wns.com/solutions/functional-solutions/finance-accounting/outperforming-cfo-framework-ocf>

GETTING STARTED

Setting up a VFO is the perfect opportunity to prepare the finance function to deliver on the new and emerging demands that CFOs face. Finance functions everywhere are being called upon to move beyond being a control function² to play a more strategic, value-adding role by driving business insights, reducing risks and improving performance. Thus, while the VFO

model essentially connects the CFO and finance team to work anytime and anywhere, it is important to aim for higher business outcomes when selecting technology solutions and re-defining processes. Figure 1 below represents the six crucial steps required to move towards a VFO.

Figure 1: Setting Up a VFO



DIGITIZE

Many finance functions even today manage box files, paper trays and storage filled with stacks of invoices, journals, reconciliations, financial statements, and review and presentation packs. Paper documents with physical signatures and review marks are preserved to support and satisfy audit requirements. However, in the past

few years, the approach by auditors and regulators have evolved as well. They have embedded technology in their control test procedures by accepting documents with e-signatures. Regulators across the U.S., U.K., Europe and Australia such as Securities and Exchange Commission, Companies House,

² <https://www.wns.com/insights/articles/articledetail/578/from-control-agent-to-value-generator--next-generation-finance>

Financial Conduct Authority and Australian Prudential Regulation Authority have begun accepting financial statements, regulatory returns and tax filings with e-signatures, through secure portals.

With current technology and regulations enabling the electronic storing, processing and reporting of financial data, companies should identify and digitize finance-related documents including invoices, billing, Travel and Expense (T&E) bills, statements, journal templates, reconciliations and financial reports in various prescribed file formats. This is the first and crucial step to convert finance inputs to digital data. Digitization enabled a leading insurer to complete all year-end processes and audits, and submit annual regulatory returns on time, despite the lock-downs, by leveraging a workforce that was able to seamlessly deliver from their homes.

MOVE TO CLOUD

Cloud solutions help businesses host applications and store data remotely without the need for on-premise servers. Currently, most platform providers have a cloud version of their software to support virtual hosting and maintenance.

When planning the move to cloud, however, it is important to consider core ERP systems as well as non-core systems such as T&E tools, reconciliation tools, investment accounting systems, Financial Planning and Analysis (FP&A) systems, treasury systems, and financial reporting tools to enable end-to-end integration on cloud-based platforms. Moving to cloud enabled a global insurance company to switch to a work-from-home model in less than 24 hours in the face of restrictions to prevent the spread of COVID-19. The company's systems across functions (such as finance, FP&A, tax, investments and operations) had been hosted on cloud.

INTEGRATE

Integration platforms today are advanced enough to connect disparate systems irrespective of technology stacks using Application Program Interface (API) to enable system feed data transfers across workflows. This is key to reducing manual efforts, enabling straight through processing and automating effort-intensive processes such as reconciliations. Integration helps create a data universe for the entire finance operation, setting the stage for data analytics that can improve visibility, control and decision-making. A global specialty insurance company integrated disparate systems across front office (policy administration), middle office (investment accounting, payroll, actuarial and FP&A) and back-office (T&E, regulatory reporting and tax) with its core ERP system to reduce manual efforts and enable automation. This helped the company get transparent and real-time insights with reduced reconciliations and month-end cycle time.

AUTOMATE

Never automate a problem to get the same results faster. Hence, it is important to first standardize activities, eliminate non-value adding steps, and then automate processes. Robotic Process Automation (RPA) can be leveraged for data entry and rule-based activities such as invoice processing, payments, journal positing, reconciliations and extraction of reports. Intelligent automation, leveraging Machine Learning (ML), Artificial Intelligence (AI) and blockchain, can be deployed for knowledge-based processes involving complex decision-making, parameter matching, or segregation and indexing, like in credit scoring. For example, a leading U.K. insurance company deployed RPA in standard and ad hoc journal entries, and complex balance sheet reconciliations. As a result, the insurer was able to process high-volume transactions more quickly, at a fraction of the cost with much better quality.



MOBILIZE

IT infrastructure and hardware should be enabled as usable devices on the move, with compatible platforms that are fully functional across laptops, tablets and mobile phones. This enables the CFO, financial controller and teams to continue activities such as reviewing results, e-signing, approving and attending meetings. It is crucial to ensure that the devices are set up as per the company's information security and risk control framework, and accessed through a secure Virtual Private Network (VPN) with multi-factor authentication. This setup also allows processes to be moved easily to an offshore shared services environment or create a finance Center of Excellence (CoE), or both. Mobile applications for approving supplier invoices, journals and T&E enabled the employees and senior leaders of a global insurer to administrate and approve expenses on-the-go — saving time significantly across the organization.

GO VIRTUAL

The previous steps enable people, processes and systems to support a virtual financial close. Activities should be controlled and monitored for timely and accurate close in order to be compliant with regulators. Virtual close tools help financial controllers collaborate with the entire team virtually as per the month-end calendar, and allow the assigning of month-end activities and monitoring the progress through real-time dashboards for status updates. For instance, a leading media and entertainment company is reaping the benefits of implementing a cloud-based e-close tool to manage, monitor and report its month-end, quarter-end and year-end cycles, virtually from anywhere across the globe.

As mentioned earlier, by leveraging a robust framework to assess their readiness levels in adopting each of the above measures, companies can seamlessly transform their finance processes to a VFO.

DRIVERS & BENEFITS

It is imperative for CFOs to assess the current state of their operations based on the volume drivers in finance where activities are still fully or partially manual. Table 1 represents some of

the common volume-intensive activities in finance with a comparison on how paper-based and manual activities would transform to their digital form under a VFO.

Table 1: Comparison of Finance Volume Drivers

Finance Volume Drivers	Manual Operations	VFO
 <p>Invoices / Billing</p>	<p>Paper or PDF invoices sent & received via post & e-mail for manual processing</p>	<p>E-invoicing & e-billing via self-service portals & Optical Character Recognition (OCR) / workflow for processing manual invoices</p>
 <p>Journals</p>	<p>Paper or MS Excel-based templates with physical signatures</p>	<p>Auto journal transmission via integrated systems (such as API) & electronic journal approval via workflow</p>
 <p>Reconciliations</p>	<p>Paper or MS Excel-based templates with manual checking</p>	<p>Automated interface between systems / banks to reduce reconciliations & recon tool with auto-matching rules</p>
 <p>Close Process</p>	<p>Manual MS Excel-based, month-end calendar</p>	<p>Automated close process & real-time monitoring</p>
 <p>Financial / Regulatory / Tax Reporting</p>	<p>Paper or MS Excel-based manual reporting & consolidation process</p>	<p>Electronic reporting tools & portals for preparation & direct submission with e-signatures</p>
 <p>Analytics & Insights</p>	<p>Manual & time-consuming process for data capture, collation & consolidation through disparate systems</p>	<p>Creates data lake using integrated systems for timely insights. AI- & ML-driven predictive analytics for better control with reduced costs & accurate forecasting</p>

Finance Volume Drivers	Manual Operations	VFO
 <p data-bbox="236 383 405 412">Audit Process</p>	<p data-bbox="517 277 991 338">Paper-based supporting documents & manual signatory specimen validation</p>	<p data-bbox="1058 271 1390 425">Audit view access to ERP for system controls testing & portals to access electronic documents with e-signatures</p>

The VFO model connects both the CFO and the finance team throughout the operations to work from anywhere, anytime and on the move. When planned well, the range of positive outcomes from a VFO go well beyond enabling remote working during pandemics and other crises, including:

- Reduction in operational costs
- Flexibility and real-time access to data, on the move
- Standardization, and automation of fragmented and manual processes
- Scalable shared services model leading to a finance CoE
- Increased controls and digital audit trail
- Advancements in data analytics and benchmarking through digitized data
- Built-in Business Continuity Plan (BCP) during any crisis
- Easing of pressure on teams during month-end / year-end close

AGILITY & ADAPTABILITY

The value returned by VFOs in helping organizations improve their agility and adaptability has been amply demonstrated during the lock-downs. When the restrictions and lock-downs hampered the flow of money across the globe, finance operations were at the front-line in delivering real-time data to help

stakeholders make crucial decisions on business continuity, payments and resources. This, in turn, was important for the entire financial value chain, as governments, regulatory authorities, lenders and credit rating agencies sought reliable financial data to contain the stress on businesses. Data from our client relationships show that during the lock-downs, teams using the VFO model completed the monthly, quarterly and annual end-cycles, and submitted financial statements and regulatory returns as per the original timelines without utilizing the extensions provided by regulators across the globe.

Achieving the VFO model requires transformation from a paper-based operation to a full-fledged virtual operation through digitization, integration, automation and mobilization. Change management also plays a significant role in transitioning staff from the traditional mode of operation in finance departments to the current reality. The new ways of working have taught business leaders many lessons even as the new normal continues to evolve. It's imperative to change now before it's too late. The COVID-19 crisis has revealed the possibility of virtually performing the same tasks with the same level of rigor, control and governance. This gives CFOs the necessary confidence and capabilities to overcome future crises, and create a robust business model to meet the needs of customers and an ever-changing business landscape.

Re-think. Re-imagine. Re-organize. Go VFO!

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