

Managing the Close-the-Books Process in a Virtual Work Environment

KPMG in Nigeria April 2020

Overview

COVID-19 and the attendant requirement to work virtually has created new challenges for many organisations, including the finance function. Many finance functions are faced with challenges relating to day-to-day transaction processing as well as month-end closing procedures. To surmount these challenges, leading finance functions have adopted innovative, proactive and astute measures to carefully plan as well as leverage some of the leading technologies, procedures and governance practices highlighted in this article in performing their activities.

What is Virtual Financial Close?

Virtual financial close entails leveraging technology through accounting systems to generate management reports and financial statements on demand. Virtual close is enabled by centralising business accounting systems, standardising end-to-end business processes across the organization and putting a robust process monitoring in place.

COVID-19 and the Virtual Close Dilemma

The challenge of closing the books virtually may seem easy for some companies because the same finance team performs monthly financial close and some of the finance team members may have even worked remotely in the past.

However, organisations need to understand that the landscape is entirely different in the current situation. In the past, a few team members could have worked remotely unlike now where the entire finance function is required to work remotely and carry out their responsibilities as though it was business as usual. Organisations whose finance team members do not have virtual access to the accounting software or have the basic tools to work remotely, like laptops, data, videoconferencing capabilities, access to the company's virtual network etc. may be the worst hit.

With companies experiencing the COVID-19 and social distancing challenges for the first time, many finance leaders may not be prepared to lead their teams remotely and provide adequate oversight. Given that the financial close is an organized process in which team members depend on each other to produce deliverables in an agreed order. This process can become discordant when it is not done in the normal physical work environment which finance teams are accustomed to.



To assist companies overcome this dilemma, the following four-phase approach should be considered. As this approach is being implemented, finance leaders may discover that there are some processes and systems that need to be improved to provide value to the organisation even after the pandemic is over.

Phase 1 – Rapid Virtual Close Team Set-up

The first step for every company is to identify every person who has a role to play in the virtual close activity and ensure they are equipped with the right tools to securely access data remotely. Finance managers or leads should review the schedule of team members that are available virtually and ensure that potential gaps are identified and addressed. This is particularly important in situations where information resides with one person or any key participant - key-man risk.

Also, due to peculiarities of working virtually, finance managers or leads may not have the luxury of time to sit with their accountants to review postings and quickly resolve questions. Therefore, the existing governance protocols will have to be reviewed and enhanced to ensure compliance requirements are met. To resolve issues or questions, the virtual close team members may need to schedule voice and video conference calls to ensure coordination. In addition, daily status checks need to be established through dashboard reporting and other collaborative tools for proper progress monitoring of team members who can log in, record progress, and prompt colleagues to action.

Phase 2 – Training and Realignments

The skill sets of team members may need to be realigned for the virtual environment. Team members that are not familiar with the technology used in virtual environments will need guidance on its use through training and hand holding. Processes or tasks that are sensitive or very technical may be assigned to more experienced team members.

To speed up close out process, finance teams may have to decide on key materiality and journal entry threshold and determine the company's approach to reviewing them. This would create efficiency for the virtual financial close team and drastically reduce time spent during reconciliation.

Phase 3 – Build Support Systems for the Virtual Close

After the maiden virtual closing of the books, finance managers or leads need to build support systems that will help address noted gaps, complications and inefficiencies, and determine additional resource requirements (where applicable) to help the virtual finance and account teams.

If not yet developed, this is a good time for finance managers or leads to develop a virtual status or checklist to monitor key metrics around liquidity, efficiency, quality, accuracy of data, coordination and business and IT controls, amongst others. Equipped with this key information, the finance team can move swiftly to address issues that may arise from the virtual close process.

Phase 4 – Stabilization

To stabilize the virtual financial close process, the finance managers or leads should update the governance processes to align with the quality, stability and performance of the virtual financial close, and institutionalise any changes that have been made to the close process.

Key Considerations for a Virtual Close-the-Books Process

1. Technology

Identify and mitigate critical points of technology failure, system access, system availability, collaboration tools, task monitoring tools etc.

2. Virtual Calendar

Realign the close calendar and establish a new task pace based on virtual availability of resources.

3. Strengthen Organization

Deploy a buddy system between key resources and other team members to ensure continuity in role scheduling and coordination.

4. Remote Etiquette

Adopt strict remote working etiquette such as limiting phone distractions, testing audio or video functions prior to calls, planning for instant messaging facilities, eliminating unnecessary formalities, following approved work agenda, ensuring that tasks are executed promptly etc.

5. Task Monitoring

Use centralised dashboards to monitor and track virtual close tasks.

Conclusion

Regardless of the varied issues companies are faced with as a result of the current global pandemic (COVID-19), the finance managers or leaders would still have to meet up with one of its key responsibilities, which is to close the books and provide financial information to the executives. The top executives need such information to ascertain if their company's financial performance and position are being impacted by the pandemic and make decisions that will positively mold the organization's future.

The current situation has made this task daunting for the finance managers or leaders because their team members are required to work remotely. However, with adequate planning, deploying the right technology and following the guide presented above, finance managers or leads are better placed and equipped to surmount this challenge.

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