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.

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.

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 one step ahead in terms of efficiency of processes, quality of the people and the level of embedded automation in day-to-day activity.

Today’s CFOs face multiple challenges

Determining the finance strategy
Optimizing the cost of finance
Enhancing business partnering
Evolving financial systems

Enabling digital capabilities
Integrating mergers and acquisitions

Manufacturing
Procurement
Supply Chain
Operations
Sales
Service
Marketing

CFO Office

Building the vision, strategy and long-term roadmap
Driving function efficiency with delivery model optimization
Improving the service the function provides the business
From simple enhancements to platform shifts to the cloud

Implementing automation, analytics etc.
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):**

- **BPM (Business process management software):**
  - Before Covid-19: 11%
  - After Covid-19: 44%

- **RPA (Robotic process automation):**
  - Before Covid-19: 16%
  - After Covid-19: 27%

- **Low-code/no-code development platforms:**
  - Before Covid-19: 16%
  - After Covid-19: 26%

- **Process mining software:**
  - Before Covid-19: 20%
  - After Covid-19: 26%

- **Enterprise retooling:**
  - Before Covid-19: 32%
  - After Covid-19: 31%
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.
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

<table>
<thead>
<tr>
<th>Setup</th>
<th>Diagnose</th>
<th>Transform</th>
<th>Design Target Operating Model</th>
<th>Implement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Define the objectives of the project, the project plan and key stakeholders</td>
<td>Assess survey data (quantitative) and client interviews (qualitative)</td>
<td>Agree main findings, initial hypotheses, and impact with key stakeholders</td>
<td>Document the optimized organizational design</td>
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</tr>
<tr>
<td>Set up and agree the project team and governance and the related roles and responsibilities</td>
<td>Perform gap analysis against industry benchmarks</td>
<td>Formulate recommendations based on these</td>
<td>Document the future processes, digital landscape, RACI and RCM matrices</td>
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<tr>
<td>Request in advance the documentation for the current situation</td>
<td>Conduct digital assessment</td>
<td>Create business case with prioritized recommendations</td>
<td>Embed new technologies in processes design</td>
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<tr>
<td>Plan the discussions and interviews in advance, so the project creates minimum disruption to current activity</td>
<td>Conduct maturity assessment</td>
<td>Sequence agreed recommendations into phased transformation roadmap</td>
<td>Define KPIs</td>
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<tr>
<td>Organize the kick off meeting</td>
<td>Analyze above to form initial hypothesis</td>
<td>Develop high-level implementation plan to execute roadmap</td>
<td>Improve governance</td>
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<tr>
<td>Set-up requirements document</td>
<td>Synthesize hypothesis; create preliminary findings and determine impacts around capabilities and stakeholders</td>
<td>Client validated hypotheses, insights, findings and impact assessment</td>
<td>Define future roles, skills, responsibilities</td>
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<tr>
<td>Client customized diagnostic tool</td>
<td>Gap analysis for processes and digital landscape (vs industry best practices)</td>
<td>Improvement recommendations</td>
<td>Reporting</td>
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</tr>
<tr>
<td>Project work plan</td>
<td>Initial insights based on data input from client</td>
<td>Phased implementation roadmap</td>
<td>Organizational chart</td>
<td></td>
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<tr>
<td></td>
<td>Initial hypotheses, findings, and impact for client to validate</td>
<td>High-level implementation plan</td>
<td>Flow charts for the future processes</td>
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<td></td>
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<td>Low level architecture design document</td>
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<td></td>
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<td></td>
<td>Responsibility matrix (RACI) and Risks and control matrix (RCM)</td>
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<td></td>
<td>Key Performance Indicators</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>Assessment, selection and implementation of technological platforms</td>
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<td>Training execution</td>
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<td>Lessons learned review</td>
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<td>Continuous improvement launch</td>
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<td></td>
<td></td>
<td>Governance execution</td>
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<td></td>
<td></td>
<td></td>
<td>Implementation of Target Operating Model</td>
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</tbody>
</table>

### 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
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
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

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

Dashboard
- Contribution profit
- Net revenues
- Net margin
- Top loss pharmacies
- Evolution of main indicators
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.

**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

![Diagram of process flow and integration of various systems.](Image of diagram)
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

### KPMG Catalogue of Solutions dedicated for Finance Automation

<table>
<thead>
<tr>
<th>Finance</th>
<th>Description</th>
<th>Technology</th>
<th>Delivery Country</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Scope: Automated activities for Fixed Assets Register reconciliation, Table of Movement, depreciation test, validation of movement in revaluation reserve.</td>
<td></td>
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</tr>
<tr>
<td>Finance – Equity</td>
<td>Process: Equity Table of Movement (TOM)</td>
<td>Python</td>
<td>Romania</td>
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<tr>
<td></td>
<td>Scope: Preparing the Equity TOM and ratios working paper and Statement of Changes in Equity (SOCE) based on the movement of equity accounts.</td>
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<tr>
<td>Finance – Inventory</td>
<td>Process: Inventory</td>
<td>Python</td>
<td>Romania</td>
</tr>
<tr>
<td></td>
<td>Scope: Automated checking of the FIFO method used for assessing the Valuation of Inventories.</td>
<td></td>
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</tr>
<tr>
<td>Finance – Sales</td>
<td>Process: RPA solution, which is easy to integrate with CRMs, that monitors the invoicing flow and due-dates, and sends notifications to clients.</td>
<td>UiPath</td>
<td>Romania</td>
</tr>
<tr>
<td>Finance – Data Validation</td>
<td>Process: Journal Entries (JE) selections using IDEA processing tool</td>
<td>UiPath</td>
<td>Sweden / Romania</td>
</tr>
<tr>
<td></td>
<td>Scope: Robot that operates predefined validation of JE IDEA selections.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Finance – Data Validation</td>
<td>Process: Journal Entries Roll-Forward</td>
<td>Python</td>
<td>South Africa / Romania</td>
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<tr>
<td></td>
<td>Scope: JE Roll-forward procedure for JE DB with more than 1 mil entries.</td>
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<tr>
<td>Finance – Data Validation</td>
<td>Process: Payroll data validation</td>
<td>Python</td>
<td>Romania</td>
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<tr>
<td></td>
<td>Scope: Analytical review, Monthly salary analysis; verification of Social Contributions; Reconciliation with Statement 112.</td>
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<tr>
<td>Finance（Finanz）</td>
<td>Description</td>
<td>Technology</td>
<td>Delivery Country</td>
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<tr>
<td>Finance – Data Validation</td>
<td>Process: Reconciliation of Sub-Ledger with Trial Balance</td>
<td>Python</td>
<td>Romania</td>
</tr>
<tr>
<td>Finance – Reporting</td>
<td>Process: VAT Statements reconciliation</td>
<td>UiPath</td>
<td>Romania</td>
</tr>
<tr>
<td>Finance – Reporting</td>
<td>Process: Exchange rate extractor from NBR</td>
<td>UiPath</td>
<td>Romania</td>
</tr>
<tr>
<td>Finance – Reporting</td>
<td>Process: Audit Planning Tool</td>
<td>Python</td>
<td>Moldova</td>
</tr>
<tr>
<td>Finance – Reporting</td>
<td>Process: Account Payables (AP), Account Receivables (AR), Inventory Turnover</td>
<td>Python</td>
<td>Romania</td>
</tr>
<tr>
<td>Finance – Reporting</td>
<td>Process: Financial Statements roll-forward and accounts mapping</td>
<td>Python</td>
<td>Switzerland</td>
</tr>
<tr>
<td>Finance – Reporting</td>
<td>Process: Trial Balances</td>
<td>Python</td>
<td>Romania</td>
</tr>
<tr>
<td>Finance – Reporting</td>
<td>Process: P&amp;L</td>
<td>Python</td>
<td>Switzerland</td>
</tr>
<tr>
<td>Finance – Tax</td>
<td>Process: VAT Compliance Robot (Bahrain country specific legislation)</td>
<td>UiPath</td>
<td>Bahrain</td>
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<tr>
<td>Finance – Tax</td>
<td>Process: GMS Apps (Global Mobility Service)</td>
<td>UiPath</td>
<td>Romania</td>
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<tr>
<td>Finance – Tax</td>
<td>Process: Life insurance statements</td>
<td>Python</td>
<td>Romania</td>
</tr>
<tr>
<td>Finance – Tax</td>
<td>Process: Corporate tax compliance (Romanian specific tax legislation)</td>
<td>Microsoft Azure Stack</td>
<td>Romania</td>
</tr>
<tr>
<td>Finance – Tax</td>
<td>Process: Capital Gains Calculation for Stock Exchange transactions</td>
<td>Python</td>
<td>Romania</td>
</tr>
</tbody>
</table>
### Finance

#### Acquisitions

<table>
<thead>
<tr>
<th>Process:</th>
<th>Scope:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Description</td>
<td>Technology</td>
</tr>
<tr>
<td>Preparation of draft VAT statements and posting of transport notices in the client’s ERP</td>
<td>UiPath</td>
</tr>
<tr>
<td>Automated preparation of draft VAT statements, using the client’s sales and purchasing journals, and based on local legislation and requirements.</td>
<td></td>
</tr>
<tr>
<td>Automated input of transport notices from each client’s place of work into ERP.</td>
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</tr>
</tbody>
</table>

### Finance

#### Invoice processing

<table>
<thead>
<tr>
<th>Process:</th>
<th>Scope:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Description</td>
<td>Technology</td>
</tr>
<tr>
<td>Purchase to pay</td>
<td>UiPath</td>
</tr>
<tr>
<td>Builds sheets from which invoices are generated for SAP (LSMW folder). Initiates upload process and books entries in SAP. Archives received invoices. About 28,000 transactions per e-services provider are copied and pasted in excels to generate LSMW.</td>
<td></td>
</tr>
</tbody>
</table>

### Finance

#### Acquisitions

<table>
<thead>
<tr>
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<th>Scope:</th>
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</thead>
<tbody>
<tr>
<td>Description</td>
<td>Technology</td>
</tr>
<tr>
<td>Transfer Pricing report preparation (TP)</td>
<td>UiPath</td>
</tr>
<tr>
<td>Automated research, collecting and processing of TP information on specific research tool (AMADEUS International). Prepares specific TP file reports.</td>
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</tr>
</tbody>
</table>

### Contact:

- **Richard Perrin**
  - Partner, Head of Advisory, KPMG in Romania
  - +40 744 567 302
  - rperrin@kpmg.com

- **Gabriel Tănase**
  - Partner, Technology, KPMG in Romania
  - +40 747 333 025
  - mtanase@kpmg.com

- **Andrada Iliescu**
  - Director, Management Consulting, KPMG in Romania
  - +40 747 333 003
  - andradailiescu@kpmg.com

KPMG in Romania

DN1, Sos. Bucuresti - Ploiesti
No. 69 – 71, P.O. Box 18 - 191
Bucharest, 013685

kpmg.com/socialmedia

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