



# Emerging Developments in Tax Reporting and Financial Analysis

The impact of the latest technologies including data & analytics and digital labor

Part IV – Technology innovation webcast series

December 1, 2016



# Notices

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The information contained herein is of a general nature and based on authorities that are subject to change. Applicability of the information to specific situations should be determined through consultation with your tax adviser.

# Today's presenters



**Marc Macaulay**  
US Cognitive Technology  
Leader, Audit  
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**Brad Brown**  
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# Administrative matters for today's call



## **CPE regulations require that online participants take part in online questions**

- Must respond to a minimum of three questions per 50 minutes
- Polling questions will appear on your media player
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# Webcast agenda



Welcome  
and recap  
of prior  
sessions



The impact  
of D&A to  
Tax reporting  
and analysis



What is  
Digital Labor  
and why is it  
important?



Learnings



Q&A





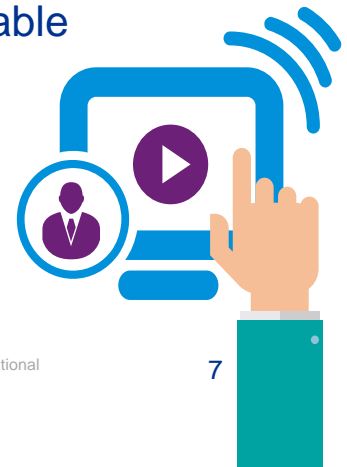
# Series recap and takeaways

# Insights from our webcasts thus far

Given the explosion of data and the digitization of today's business environment, organizations must digitally enable their workforce to remain relevant. Specifically, organizations must embrace the use of advanced technologies, including data and analytics, robotics, automation, and cognitive intelligence, to manage processes, identify risks and anomalies, inform decision making and provide deeper insights into the plethora of data available in today's environment.

## Part 1: How data and analytics is transforming corporate finance and the CFO's agenda

- CEOs have high expectations that their CFOs are leading the D&A initiatives within their organizations
- CFOs can enable data democratization
- CFO partnering with CIO to invest in nimble technology layers that enable analytics on top of the ERP backbone



# Insights from our webcasts thus far

## **Part 2: Transforming the auditor and client interaction**

- Business insights and benefits from a D&A-enabled internal or external audit
- D&A integration across the audit cycle
- Developing trust in data & analytics
- Challenges we face in the 21<sup>st</sup> century audit
- Addressing the skills gap of the next generation assurance professional

## **Part 3: The Impact of cognitive technology on business and financial reporting**

- Align your technology solution to the business challenge
- Cognitive applications typically have longer investment cycles and higher resource requirements
- Acquiring digital data is the most important step in embarking on the use of cognitive technology
- Visual data continues to be a challenge for cognitive tools to process
- Digital capabilities may help drive quality, provide an enhanced user experience and unleash deeper insights into the data available in today's digital world



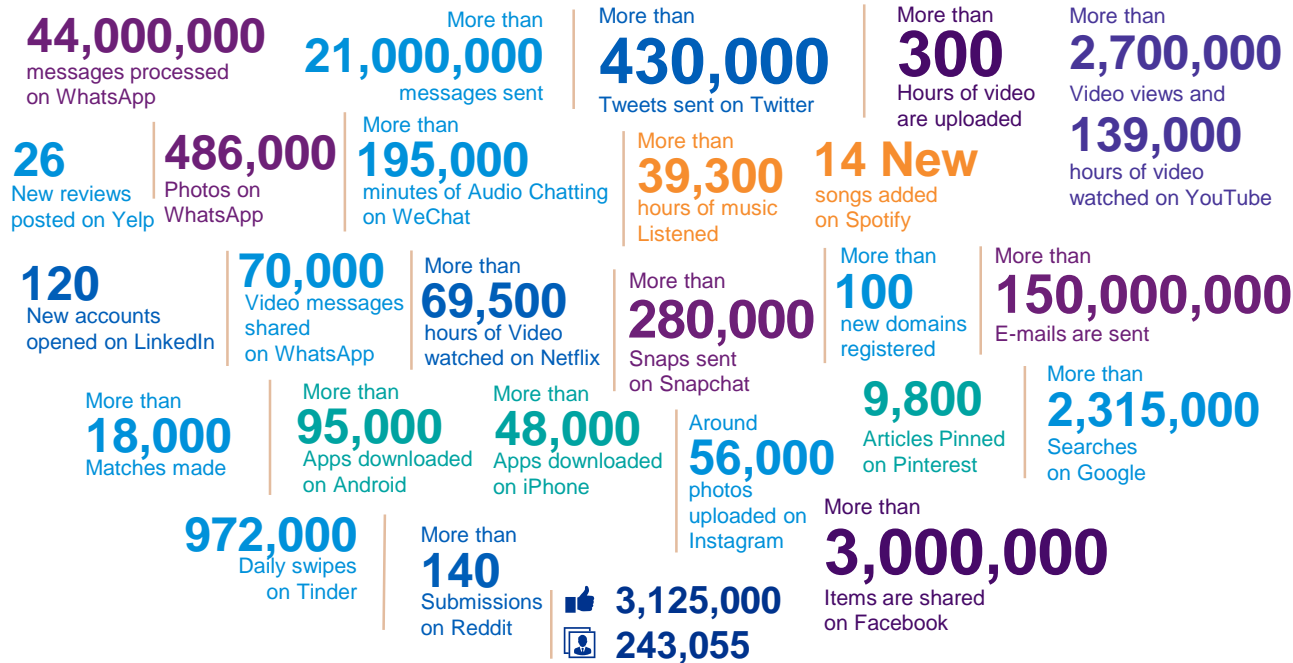




# The impact of D&A to tax reporting and financial analysis

# How do you derive decision-relevant information from today's explosion of data?

**We generate more data in 60 seconds than we used to create in a lifetime\***



## The Answer:



Digital tools



Automation



Robotics



Data & Analytics



Cognitive computing

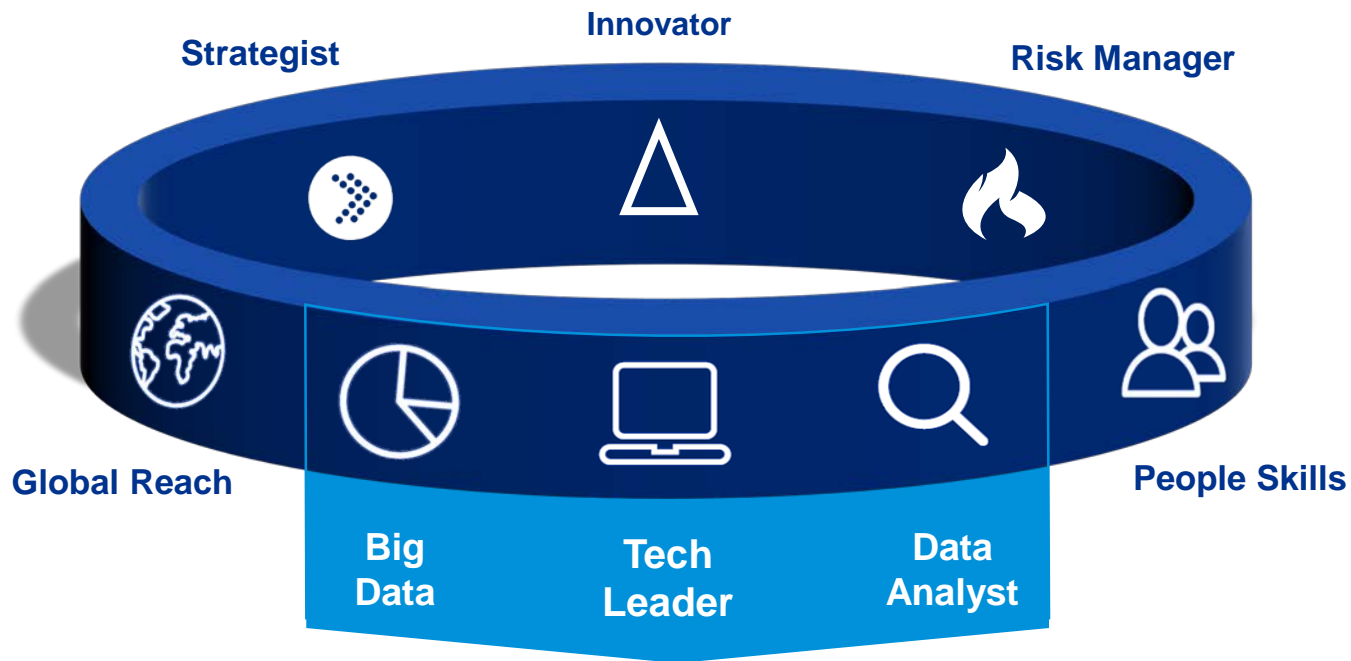


\*Source: Go-Global

# CFOs – stepping up to the challenge

## What CEOs expect of their CFOs

**Forbes**  
INSIGHTS



- 85 percent of CEOs say **applying financial data to achieve profitable growth is the greatest strategic value** a CFO can bring to an organization.
- CEOs expect their CFOs to take the initiative to apply financial data **analysis to explore new products**, markets, and channels.

Source: Forbes Insights and KPMG International CEO November 2015 survey: **The View from the Top** offers insights into how CEOs see a powerful future for the CFO and whether CFOs ready for the challenge. Findings based on a survey of 371 executives in North America, Europe, South America, Middle East and Africa conducted in July of 2015 and 178 executives from Asia and Australia in September of 2014.

# Challenges for tax in the big data era

## Tax Focus Areas

**Manage compliance  
& risks**

**Drive tax efficiency  
& reduce tax  
related costs**

**Align & integrate with  
business**

## Risks

- Penalties, interest, and potential negative publicity from noncompliance
- High ETR from uninformed / unsustainable tax planning and related operations
- High resource consumption and consulting fees to manage day-to-day operations
- Cash flow lockup and missed incentive and tax benefit opportunities

**Hidden  
costs  
from tax**

# Tax department evaluation framework



# Polling question #1

Is there alignment of views between the Chief Tax Officer and the Board/CEO/CFO on how your company's tax function supports your business strategy?

A. Yes

B. No

C. Don't know

D. Not applicable





# Framing the objective and requirements of an analytic project



## Describe Problem Area

Identify the problem area.

Identify the pain-points associated with the problem area.



## Describe Current Situation

How is analysis currently completed?

How and where is data stored?

What current analytical processes are in place?



## Define Goals and Success Criteria

What does your business hope to gain from this project – what is the desired outcome?

What are the hard metrics that will determine success or failure?



## Team Brainstorming

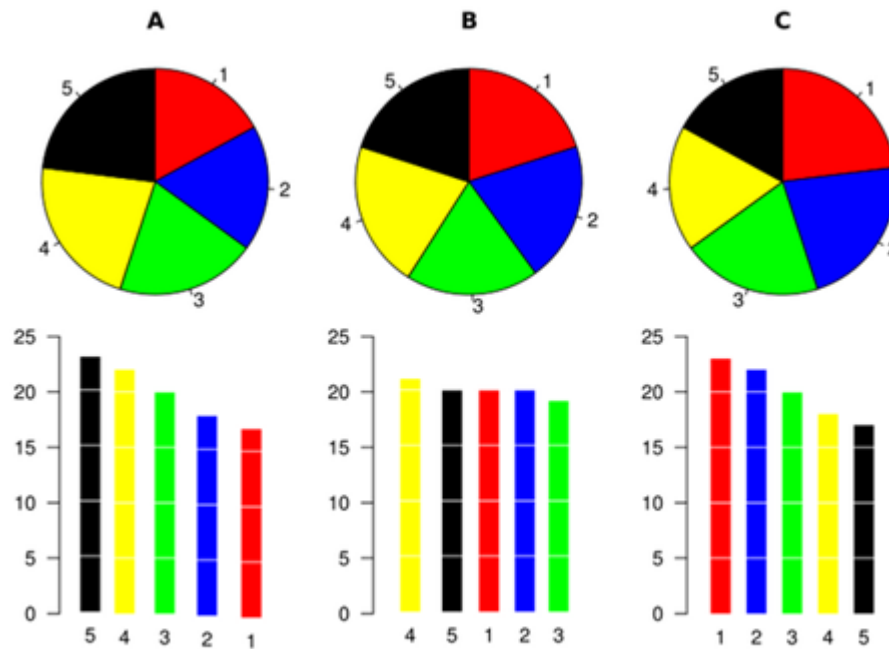
Identify what types of analytics will be used.

“Drawing” session.

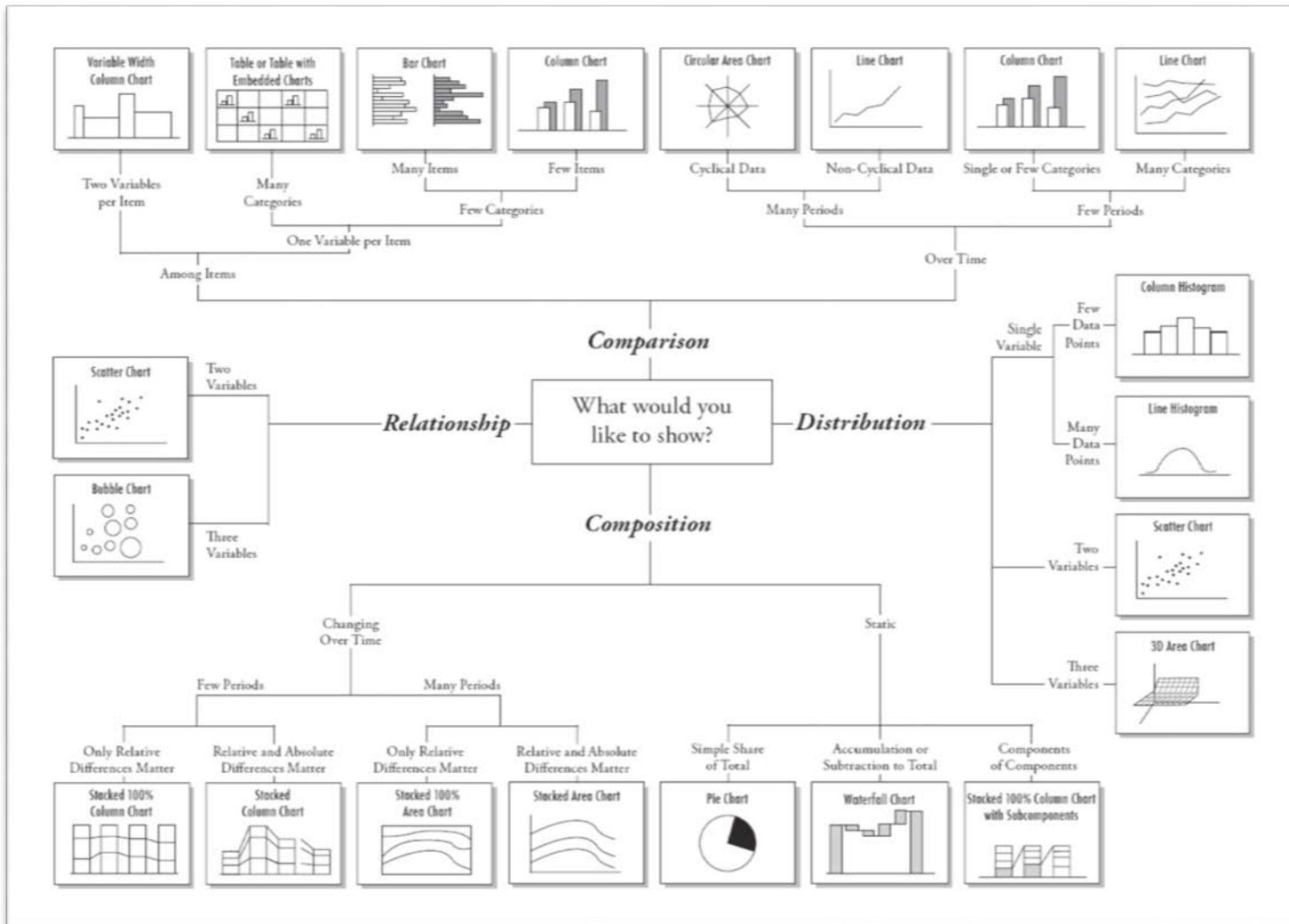
Check thinking on analytic viability.

# Designing the visualization

Find the biggest slice (1-5) in each scenario (A-C)  
Reinforce the message



# Today's visualizations: hazard of choice



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# Polling question #2

Is there alignment of views between the Chief Tax Officer and the Board/CEO/CFO on your company's tax risk profile?

A. Yes

B. No

C. Don't know

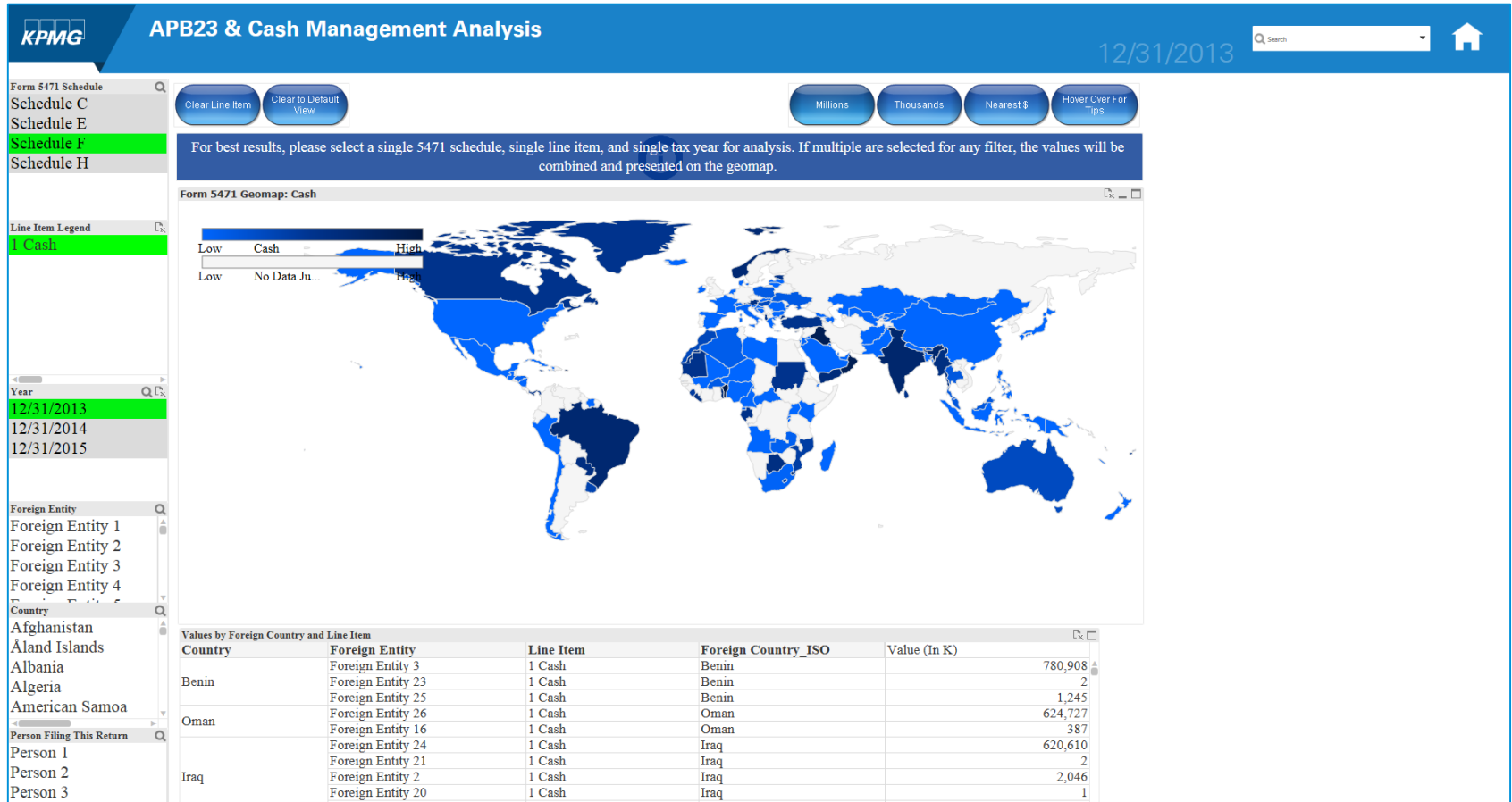
D. Not applicable



# D&A for the tax function

Financial Statements	General Ledger Detail	Purchase & Sales Invoices	Tax Adjustment Schedules	Tax Rates, Rulings and Applicable Guidance
Cash Management Analysis	Fixed Asset Tracking	Inventory Management	Country by Country Tax Detail	Pre & Post-Reorg Data
Returns and Workpapers	Transfer Pricing Detail	Compensation & Benefits	Audit, Adjustment and Amended Return History	Customer and Purchase Exemption Certificates
Tax Schedule	Payment and Credit History	Company Business Activities Documentation	KPIs & Reports	Trends and Benchmarking

# Cash management analysis





# Polling question #3

Do you believe D&A will drive value for your tax function?

A. Yes

B. No

C. Don't know

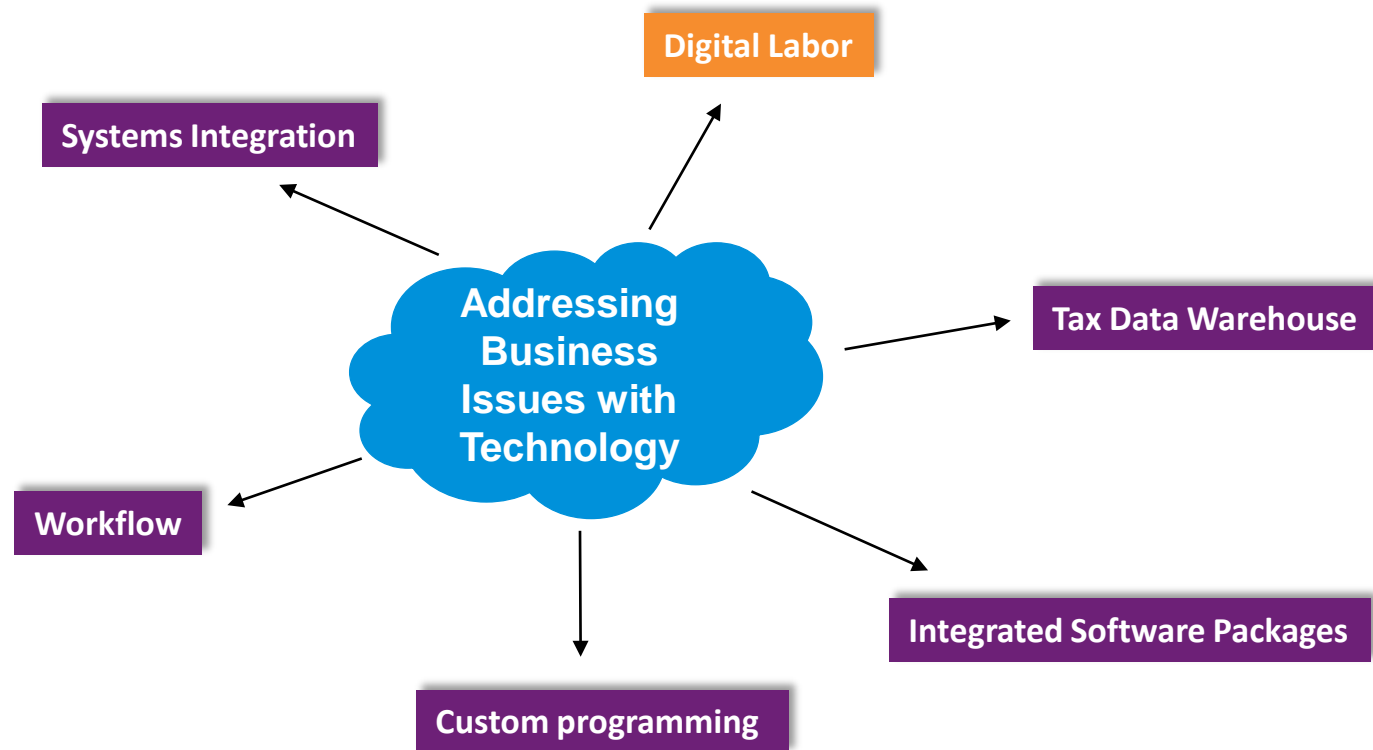
D. Not applicable



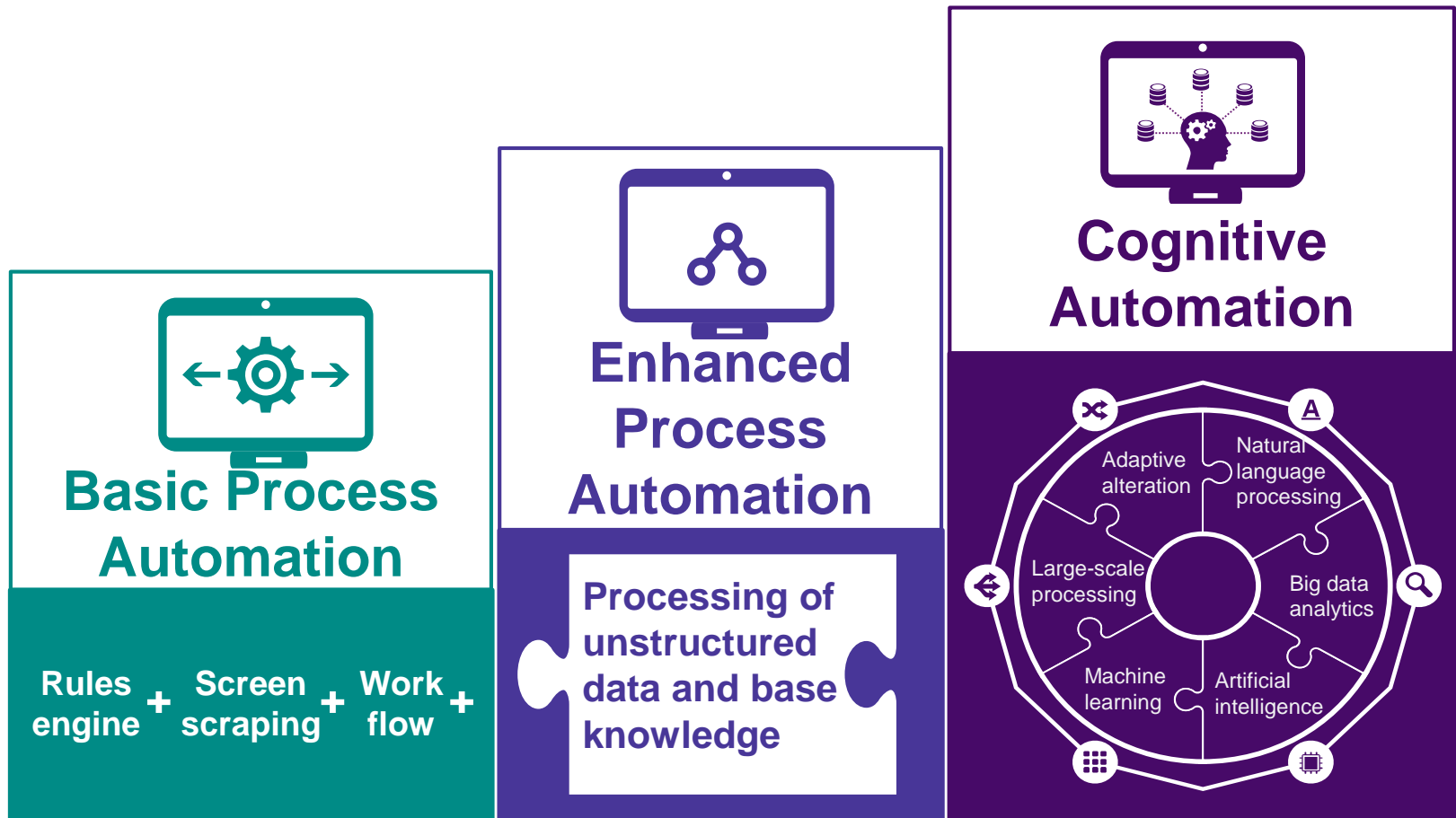


What is digital labor  
and why is it  
important?

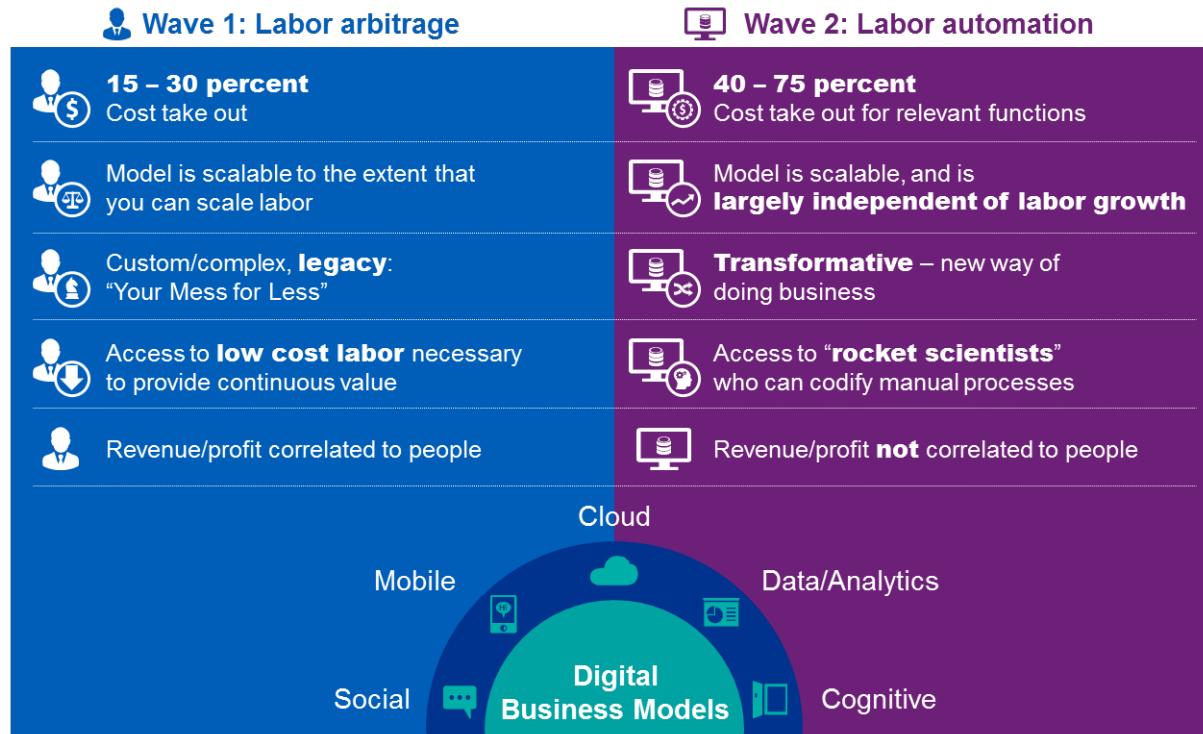
# Approaches to technology automation



# The digital labor capability spectrum

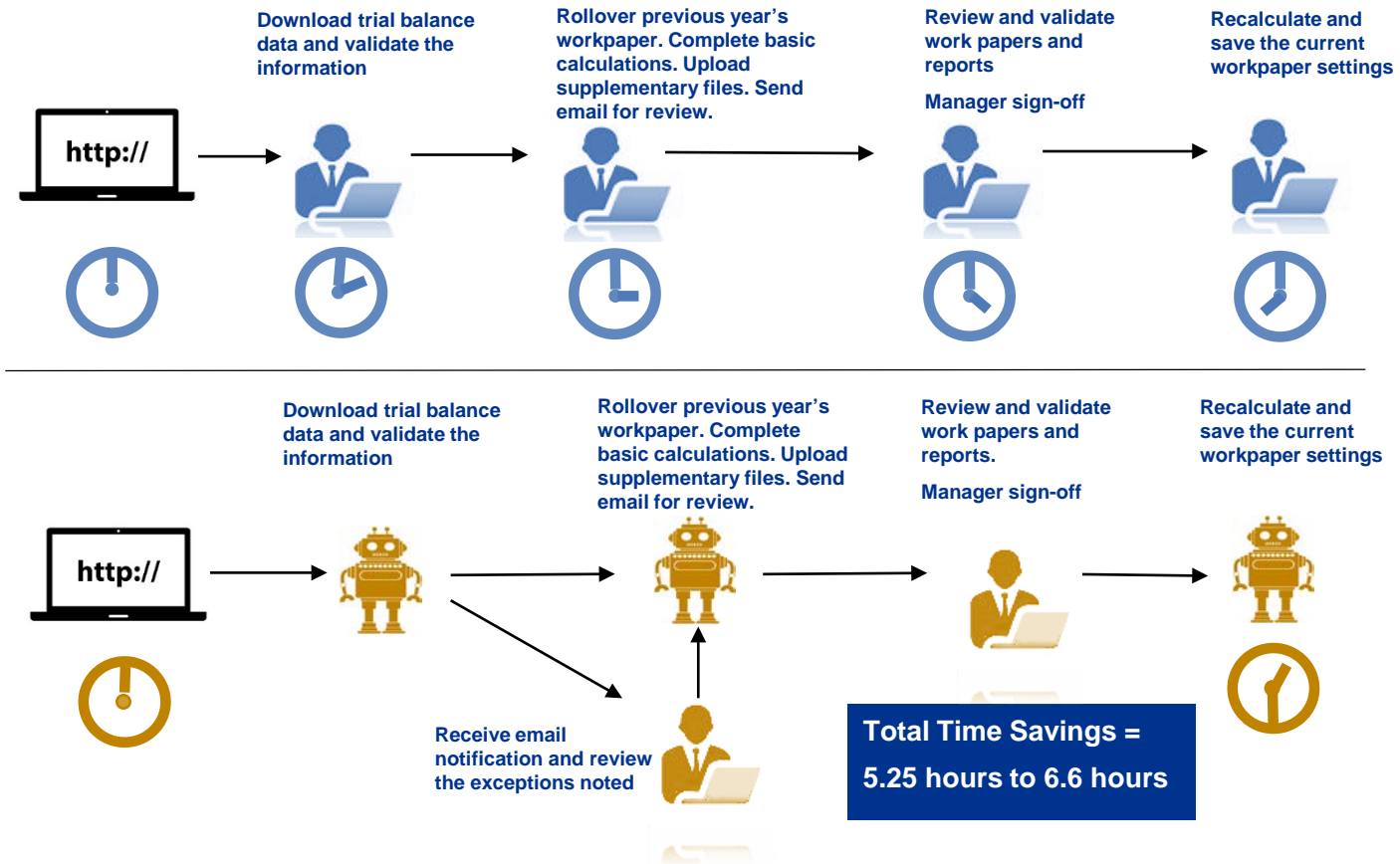


# The benefits of a digital labor force



**Source:** The Outsourcing Institute, Three Secrets Your Traditional Service Providers Are Not Telling You, June 2014  
 KPMG analysis

# Sample process automation





# Impact on digital labor



# The human element of digital labor

## Individual skills

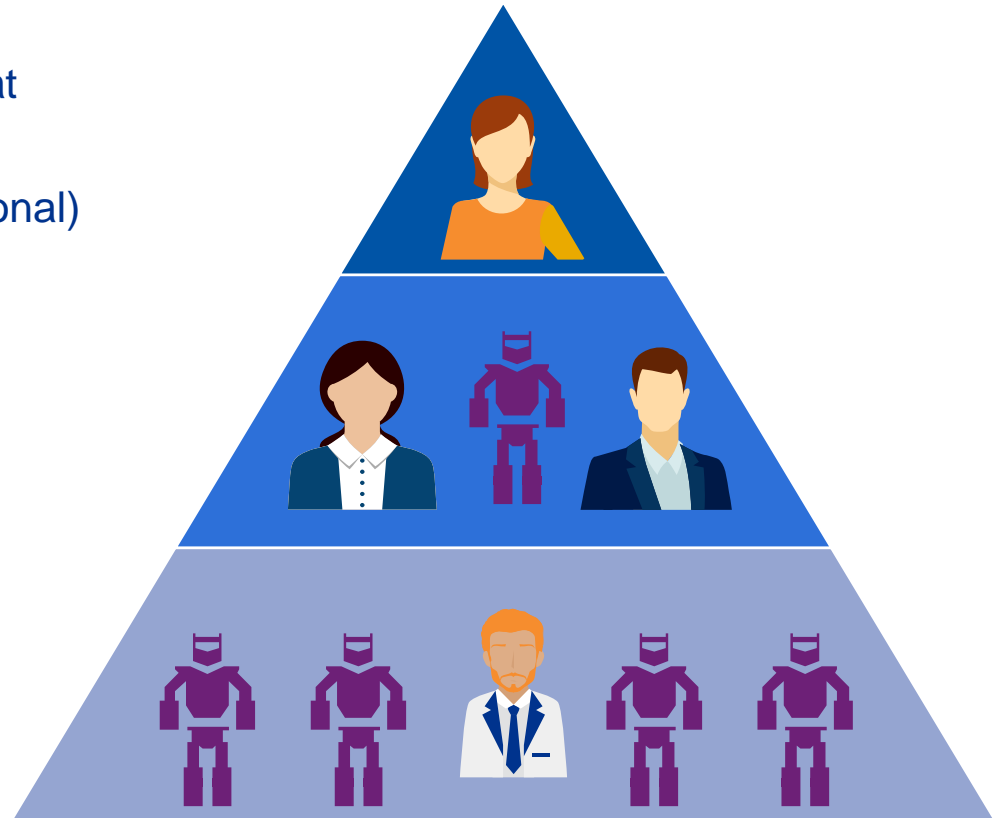
- The more we use digital labor, what skills do humans need?
- Different kinds of skills (non-traditional)

## Human interaction skills

- Social sensitivity, empathy, etc.
- Teams will matter more than ever
- Group skills – Team IQ

## My team might look different

- Impact to the pyramid
- Role of the millennial
- Personnel that can innovate and create will be at a premium



# Polling question #4

Do you believe Process Automation tools will offer value to your tax function?

A. Yes

B. No

C. Not applicable





# Learnings

# Insights from our journey to date

- Re-examine your resource sourcing strategy
  - consider your shared services center for opportunities for process automation
- Pay attention to your human resource development
- Align your technology solution (automation, robotics, cognitive) to the business challenge
- Use visualizations to analyze the current tax and reporting situation
- Understand the importance of change management related to the digital labor journey
- Digital capabilities can help drive quality, provide an enhanced user experience, and unleash deeper insights into the data available in today's digital world

## ***Don't wait . . .***

You should consider embarking on your journey now because your customers, your businesses, and your people are all making decisions based on their “user experience.”



# Questions?





# For more information

Ongoing regulatory change appears inevitable. And keeping an eye on those changes that might affect your business can feel overwhelming. That's where the technical accounting professionals with KPMG's Financial Reporting Network (FRN) can help. We not only keep a close watch on the latest regulatory and other developments, we report on them and interpret what they might mean for you.

From technical publications like Defining Issues and Issues In-Depth to timely live Webcasts and the CPE credits they provide, our FRN website should be the first place to look for up-to-the-minute financial reporting changes.

Visit us at [kpmg.com/us/whats-happening](http://kpmg.com/us/whats-happening)



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## For more information, visit:

- **Tax Governance Institute** <http://www.kpmg-institutes.com/institutes/tax-governance-institute.html>
- **KPMG TaxWatch** <http://www.kpmg-institutes.com/institutes/taxwatch.html>
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