KPMG

COVID-19 and the CFO

Enabling a virtual financial reporting function

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Ensuring business continuity in the current environment

Without notice, your team is working in a different world. Putting together the year end reports with a remote workforce will require careful, but quick planning. To the list of unexpected challenges imposed on CFOs by COVID-19, add this one: closing the corporate books with nobody in the office. For many, finessing a virtual close with remote workers won't be easy, but it will be doable—with smart, fast planning.

For most companies this is the time for wrapping up audit and also preparing to file returns in accordance with the laws of Ghana. The same people who executed the close last year will, for the most part, be doing it now. And most finance professionals have experience working remotely. But it's a big leap to go from one or two people working off-site for a day or two, to having an entire workforce displaced while trying to function as if they weren't—without being able to pop around the corner to ask a question, have hard-copy files at fingertips, or take advantage of the multiple-monitor desktops, high-speed scanners and printers, and other technologies that support productivity and collaboration. Some newly remote employees may not even have the basics: laptop, remote access to the company's virtual private network, or videoconferencing capabilities.

It isn't just frontline employees who may struggle. Highly accomplished managers may not be prepared to lead these remote teams as they are encountering this challenge for the first time. Financial reporting is a highly orchestrated process in which team members depend upon each other to produce deliverables on a tight schedule in precise sequence—a symphony of moving parts that could quickly become discordant when well-practiced routines move to a virtual environment.

KPMG recommends a four-phase approach, aimed at ensuring that the financial reporting function continues seamlessly, then refining the process to make it robust and sustainable for as long as required. As an outcome of this approach, organisations will likely uncover process improvements that provide value long after COVID-19.

Phase 1: Rapid On-Boarding (1 Week)

The first step is to identify every person who will participate in the virtual close—a list that goes deep into the enterprise for people with discrete nuggets of information—and make sure each has the tools needed to securely access data and collaborate with colleagues. At the same time, management should be reviewing the close schedule to identify and triage potential gaps that might arise in a virtual environment. They will want to pay special attention to instances where information resides with one person, and plan for work-arounds if that person, or any key participant in the process, becomes sidelined due to ill health or the need to care for a family member. If this initial gap assessment determines that additional bench strength may be needed, the internal team should be supplemented with new resources via job-shifting, rapid hiring, and/or partnering with a third-party firm.

Finance leaders will also need to review existing governance protocols to assure compliance requirements continue to be met. Team members may need to schedule formal conference calls or video chats to assure that kind of coordination. Daily status checks may be warranted, and a dashboard or other collaboration tools established so team members can log in, record progress, and prompt colleagues to action.

Phase 2: Training and Assimilation (1-2 Weeks)

As work on the year end and financial reporting approaches the final stage, the CFO and other finance leaders may need to realign team members and skill sets for the virtual environment. Experienced staff accountants can be put in charge of sensitive processes that were comfortably left to a less experienced staffer when that person had the benefit of close physical supervision. Here again, additional resources from outside the organisation can supplement existing team members or help with oversight and training. Workers unfamiliar with the technology used in virtual environments will need guidance on its use.

To promote efficiency, finance leaders should consult with their auditors on key materiality and journal entry thresholds and determine the organisation's approach to aligning with them. It is not uncommon for companies to devote significant time and resources to reconciling GHS500,000 discrepancies in accounts where the materiality threshold might justifiably be GHS10 million. Now is not the time for such luxuries.

5 Top Considerations for a Virtual Close

1. Virtual calendar: Realign the close calendar and establish a new task cadence based on virtual availability of resources.

2. Strengthen organisation: Deploy a buddy system for key resources and a "pitcher/catcher" model for schedule continuity.

3. Technology: Identify and mitigate critical points of technology failure—system access, system availability, collaboration tools, extra monitor, etc.

4. Remote etiquette: Video on always; no need for formality; instant messaging in place; phone off; test audio/video prior to calls; no multi-tasking; use agenda; be on time

5. Task monitoring: Use a central dashboard (e.g. Excel) to monitor and track close tasks. Create a project management office for oversight.

Phase 3: Providing ongoing support for the Virtual Close (3-12 Weeks)

Once the year-end reporting is completed, CFOs can turn to building ongoing support systems for the virtual close process. If the first run-through identified unaddressed gaps, complications or resource deficiencies, additional resources can be embedded into the accounting and finance teams to provide help.

This is also the time for the finance organisation to develop a virtual close scorecard to monitor key metrics around liquidity, efficiency, the quality and accuracy of data, coordination and timing issues, and business and IT controls. Armed with these insights, finance can move with agility to fix problems and remove complexity from the close process.

Phase 4: Stabilisation (1-3 Months)

A few weeks into the virtual close realm, finance organisations should implement updated governance processes to confirm the quality, stability and performance of the virtual close, and institutionalise any changes that have been made to the close process by documenting new policies and procedures. Similar attention should be paid to developing an updated virtual close calendar that identifies dependent sources of information for key activities.

Assuming the organisation plans to return to a conventional in-house close after the COVID-19 fallout has abated, the final step in this four-phase process will be to develop a flexible plan for ramping down the virtual close and resuming business as usual.

Making the Virtual Close Happen

When COVID-19 drove most of its employees out of the office and into their homes, a Global 100 company needed support for its first-quarter close—in less than 30 days. To accomplish the upcoming close with a remote global workforce, the company's finance and accounting leaders had to identify and triage potential gaps that could affect the financial close and reporting process. The company quickly recognised that it needed more support for a workforce unaccustomed to working from home. It needed to assess its record-to-report (R2R) process, anticipate and mitigate potential issues, and determine that its business continuity planning addressed fast-changing COVID-19 guidance. Because the company had successfully worked with KPMG previously, the choice of an advisor was clear.

KPMG mobilised a significant pool of skilled finance professionals to help the client through this short-term resource challenge. The main risks were clear: a loss of productivity due to work-from-home and school closure requirements, and the inability to perform mission-critical processes if personnel became unavailable for even remote work. To mitigate these risks, KPMG teams helped the company:

- Define critical processes and business continuity readiness and remediation plans
- Conduct workshops to identify key personnel and backups for each critical process
- Develop a governance and reporting framework to escalate and resolve issues
- Monitor readiness levels and single-point-of-failure concerns for a virtual close
- Verify that its IT team had the necessary tools, technology, capacity, and security measures.

Outcomes

By rapidly onboarding its own close-support subject matter specialists and developing a robust business continuity plan, KPMG positioned the company to overcome internal resource challenges and complete a timely and successful quarter-end close. Mapping KPMG professionals to the client's key R2R resources helped ensure detailed knowledge sharing and instilled confidence among the work stream leads and teams on their ability to execute in a fully-virtual environment. By acting quickly, the client now has a robust blueprint for future virtual month-end and quarter-end closes.

Conclusion

Amid the rush to care for employees, align resources with demand, maintain access to cash, reduce costs, and update business plans and financial forecasts on the fly, CFOs coping with the COVID-19 environment also need to deliver on fundamental responsibilities like closing the books—even when their employees are working from home. Without a clear picture of how the company's finances are being impacted by COVID-19 and its economic fallout, executives won't be able to make informed decisions about their organisation's future. An efficient, accurate close is a prerequisite for providing that picture.

At KPMG, we have the experience, expertise, and resources to help your organisation execute a virtual close—now. Contact your KPMG partner today for more information.

Contact us

If you would like more information on how KPMG can assist your organisation, please contact:

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