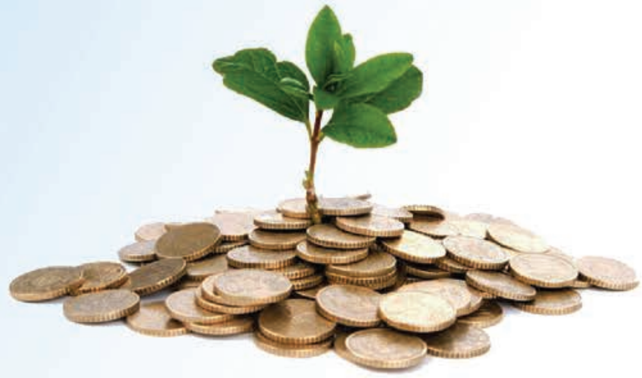
Financial intelligence that businesses can depend on



Historically, finance teams have devoted the bulk of their time and attention to 'the basics' — their traditional transaction processing and bookkeeping roles – and less time to the more strategic, value-adding finance activities. Finance activities can broadly be classified into three groups.

The first group of activities are finance operations. These are the most basic finance processes usually comprised of recording transactions; essentially getting the debits and credits right at the most basic level. The 2013 KPMG's Global CFO Research estimates that most finance functions spend 50% of their time performing such activities. A majority of these activities can be automated as they require little judgement or are deterministic.

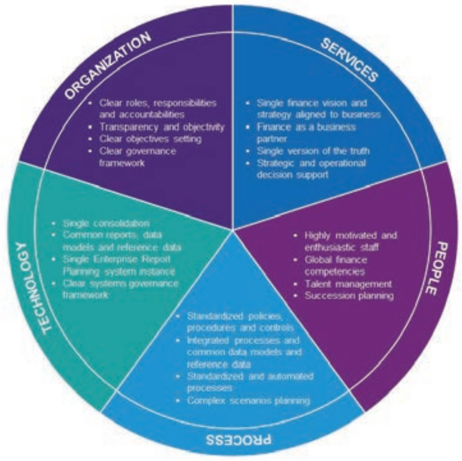
The second group of activities are aimed at financial reporting and control. These are activities that focus on weekly, monthly, annual or other regular reporting as well as activities aimed at managing or monitoring financial resources such as financial reconciliations of assets such as cash or fixed assets. It is estimated that most finance functions spend 30% of their time performing such activities.

The third group of activities are financial performance activities. These aim at drawing insight for the business such as explaining financial trends, correlations and ratios. This also encompasses forward looking analysis such as financial forecasting and scenario planning. It is estimated that most finance functions spend only 20% of their time performing such activities. A majority of these activities require specialised financial resources who are able to tailor outputs according to the needs of the business and add their own insight.

KPMG's Global CFO Research shows that finance functions, driven by both internal and external pressures, are improving in many areas and advancing toward the desired future state of the intelligent finance function. The ultimate objective of this finance transformation journey is to increase operational efficiency, business support effectiveness and ability to add real value to all its stakeholders.

The intelligent finance function of the future, and indeed of today, must go beyond its business-as-usual financial reporting and control role to become a value-adding provider of intelligence that the board and business units can depend on to make strategic business decisions. This means that businesses with this focus in mind, will need to change their finance functions to have financial performance activities at 50% or more, financial reporting and controlling at around 30% and finance operations at around 20% or less.

So what will this intelligent finance function look like? We can categorise this along five key categories.



What does an intelligent finance function look like?

Finance services will be aligned to the overall business vision and strategy, with the finance function being a business partner that focusses on business value drivers and can be relied upon to provide a single version of the truth to enable strategic and operational decision support. Finance will also take the lead on communication of performance to stakeholders.

The finance function will be organised in a regional or centralised location, with clear roles, responsibilities and accountabilities. The function will also have a clear governance framework, transparency, training and internal mobility.

Finance employees will support all regions of the business and will possess global finance competencies. They will be able to provide commercial challenge to the business and be highly motivated and enthusiastic. There will also be a clear talent management and succession planning for all finance employees.

Finance processes will be backed by standardised policies, procedures and controls. There will be integrated processes and common data models and reference data. A majority of processes will be standardised and automated. There will also be integrated finance performance management and complex scenario planning.

Finance technology will enable common reports, data models and reference data that is well understood across the business. There will be a single Enterprise Resource Planning (ERP) system supporting a single instance of group consolidation, general ledger and chart of accounts. Above all finance technology will be well governed, scalable and flexible to the needs of the business.

Companies that expect to be significant in the market or in their industries will need to embrace the concept of an intelligent finance function to leverage on the strategic and value-adding services that finance can offer. Companies that have to adopt upcoming changes in accounting standards such as International Financial Reporting Standard (IFRS) 9: Financial Instruments and IFRS 17: Insurance Contracts both of which will ultimately require speed and insight to enable communication of financial results to stakeholders will require to rethink how they structure their finance functions, processes and technology; ultimately how they will adopt an intelligent finance function.

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