Finance remote close

Practical steps and guidance for a successful remote finance close process during business disruption and crisis
1. Pre-close and governance
2. General accounting and external reporting
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In the face of a business disruption and crisis, resilient organizations ride out uncertainty instead of being overpowered by it. Ensuring effective business operation of enterprises including how work under a situation of crisis and responding to challenges by minimizing economic losses have become an urgent task for enterprise management team. Working under such circumstances, the Finance leaders are expected more than ever to provide stable and continuous support to the business by exploring alternative ways to working and setting up new or adjusting existing finance processes in order to meet the demands of the changing business environment due to the crisis.

This document presents practical steps which can be directly considered when planning and executing a successful remote finance close.
Pre-close and governance

1. Establish a virtual command center, including Accounting, FP&A, Tax, Treasury and IT to ensure cross-functional issues can be discussed and resolved in real time. Designate a PMO lead for the command center who will act as a single point of contact throughout the close process.

2. Engage regional / local teams early in the process and incorporate into virtual command center structure.

3. Determine how the meeting cadence and governance structure should be amended to conduct remote month-end close status meetings.

4. Implement cross-functional meeting cadence and outline a communication process for all impacted stakeholders who are either contributors to or recipients of financial reporting. Ensure meeting notes and action items are shared.
Pre-close and governance

5 Establish guidelines for decision making, escalation and resolution of critical path issues. Ensure an authority matrix is in place to clarify decision rights and process to communicate critical decisions to key stakeholders and management.

6 Document/review current month-end close calendar, including activities, owners, accounts and dependent systems.

7 Conduct a day-by-day walkthrough of how the remote month-end close process will operate.

8 Identify owners for all material accounts and ensure availability for remote close status meetings. Identify back up owners, being mindful of segregation of duty requirements and process and controls changes which might impact the effective control environment and SOX certification if applicable.

9 Give special consideration to how centralized functions (i.e. COEs, shared service centers) will be impacted by remote work in their geographic location. Consider whether back-up plans and changes in communication / ways of working approach are needed.

10 Communicate with outsource providers (BPO) and other vendors to align on expectations of timing and identify any potential resource or timeline constraints from third parties.
11 Identify critical resources / single points of failure and establish coverage / back-up plan in case of capacity constraints or illness, being mindful of segregation of duty requirements.

12 Assess degree of people/process redundancy in the Finance function around the world to compensate for illness/absence (and avoid single-point process failure).

13 Monitor employee health and absences for need to initiate back-up plans.

14 Determine which collaboration tools are available and ensure employees understand how to use.

15 Identify potential gaps in process documentation and desktop procedures. Set up centralized repository for critical close process and training documentation. Ensure all team members are able to access content remotely.

16 Assess if you run a high volume of manual processes on a monthly or quarterly basis. Identify where and how critical the manual processes are. Develop back-up plans for critical activities.
17 Identify any non-electronic data and / or paper records which are critical to the month-end close process. Establish an alternate plan if data cannot be accessed.

18 Establish plan to obtain, document and store sign-offs and approvals during remote close status meetings, considering SOX requirements if applicable.

19 Consider whether process changes are needed to replace paper-based sign-offs with digital. Identify process to store the digital documentation, taking into consideration SOX requirements where and if applicable.

20 Evaluate manual controls to determine which are at increased risk in a remote workforce environment. Develop mitigation plans, considering SOX requirements if applicable.

21 Assess the need to establish incremental process controls in areas significantly impacted by remote close process or change in business environment.

22 Document deviations from standard processes and controls.
23 Inventory all financial systems used in the month-end close process, assess criticality, remote access and bandwidth capabilities and assess cybersecurity impact.

24 Identify systems which are not available via remote access or have highly limited access controls and determine alternate procedures.

25 Align with IT on what systems support resources will be available during the close process. Designate on-call resources during critical periods (e.g. Day 1-5).

26 Test access to all systems and third party data feeds prior to start of month-end close.

27 Test payroll process and bank releases (internally or with third party providers) prior to start of month-end close.

28 Consider how disclosure and audit committee meetings will operate in a remote environment. Pre-test any enabling technology prior to these events.
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<td>Perform forecasting and data analytics, update/rebuild financial models as needed to prepare cash flow projections and perform impairment testing.</td>
<td>Evaluate what diagnostic tools are available for variance analysis and FP&amp;A. Determine if additional tools or activities are required in light of the current situation.</td>
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<td>Implement any critical tools and technology to enable remote financial close.</td>
<td>Coordinate with auditors for remote activities</td>
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<td>Communicate with Legal, Operations, Sales and other departments that are upstream of Finance to understand how they are impacted by the current environment to determine if changes to forecast, accounting adjustments and SOX documentation (if applicable) are needed.</td>
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General accounting and external reporting

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Identify work that can be completed before the period end, using estimates where needed (e.g. recording depreciation on fixed assets, salary accruals, etc.)

35
Plan to estimate goods in transit and work in progress by communicating with Operations to understand shipments that are expected to be completed before month-end.

36
Assess outstanding Accounts Receivable balances and collectability, perform predictive modeling if needed. Incorporate impact of temporary business closures and broader macroeconomic environment into calculation of judgmental AR reserves.

37
Consider supply chain disruptions and impact on critical vendors. Evaluate inventory balances to identify expected slow-moving or obsolete inventory which may need to be written off.
38 Evaluate materiality thresholds and risk rankings for non-key accounts. Consider deferring completion of account reconciliations for non-critical accounts to a non-quarter end.

39 Examine process for manual journal entries and consider raising (and/or enforcing) the materiality threshold in an escalating fashion throughout the close. If applicable, adjust SOX documentation accordingly.

40 Determine which estimates you make in the current process, and which can you make with reasonable accuracy, given the current business environment. Consider whether additional reviews and approvals should be required. Adjust SOX documentation accordingly where and if applicable.
41 Identify countries within your legal entity structure that are high risk and assess ability to make reasonable estimates of month end balances using forecasts or budgets. Design workarounds, as needed, including appropriate review and approval. Adjust SOX documentation accordingly where and if applicable.

42 Identify long-lived assets, goodwill and intangibles which may subject to an impairment analysis due to change in business conditions.

43 Assess whether any changes in employee structure will require additional accruals to be recorded (e.g. layoffs, severance, etc.).

44 Perform analysis/modeling of reserves amounts with management review and approval of any changes from previous quarters.

45 Evaluate cost and equity method investments to determine if there has been any „other than temporary“ decline in the value of an investee which would trigger impairment.
46
Perform preliminary GL account level analytics to document key drivers of account fluctuations. Discuss any material movements with management early in the process.

47
Assess changes in manufacturing capacity for impact on inventory costing.

48
With reference to annual goodwill impairment, analyze fair value of reporting units and indefinite live assets.

49
Start discussions early with IR, Board of Directors and other stakeholders around earnings release messaging.

50
Ensure audit and other relevant board committees are provided with detailed pre-read materials and absences are planned for.
Taxes

51 Monitor international and local legislation for impact on company’s taxes, grants or incentives.

52 Determine if there are jurisdictions projecting a loss for the year and assess whether the loss is expected to be realizable, where applicable.

53 Obtain updated forecasted income or loss for the year to determine the estimated annual effective tax rate (ETR).

54 Review forecast for consistency with other financial accounting estimates used.

55 If forecast is not reliable or cannot be reasonably estimated, determine if the actual ETR should be used for interim period where interim reporting is prepared.

56 Determine if changes in supply chains and operations are reflected in the projected mix of pre-tax earnings.
57 Update estimates of deferred tax assets and assess for realizability.

58 Consider special tax accounting rules for losses from continuing operations.

59 Evaluate government grants or incentives on indirect and direct taxes and social security contributions.

60 Determine changes on tax basis and tax accounts from interest disallowance and thin capitalization rules.

61 Consider additional tax disclosures for changes in estimates and management judgements.

62 Consider potential changes in the submission rules and deadlines for indirect and direct tax returns.

63 Check for possibility for online submission and receipt of documents issued by the tax administration.

64 Monitor for changes in the deadlines within tax procedures such as tax checks and audits, appeals of acts of the tax administration, etc.
Regulatory reporting

and reporting to other state authorities

65  Evaluate which processes are in place to address regulatory reporting needs, including changes to regulatory requirements, revisions to regulatory guidance and impact on disclosures.

66  Review published guidance by these authorities and regulators to understand any changes to regulatory and reporting guidelines.

67  Assess the Company’s going concern due to business disruption and liquidity constraints.

68  Identify need for additional disclosures in the Management activity report as a result of changes in the business environment, including but not limited to, known trends and uncertainties, risk factors and safe harbor disclosure regarding forward-looking statements.
Perform analysis/modeling of “material” risks for disclosure requirements.

Ensure management (including non-Finance executives) are sufficiently prepared to sign-off on incremental disclosures and complete SOX certifications, where applicable, on accelerated timeline. Consider implementing an additional layer of sub-certifications to the review process.

Evaluate how the public health crisis is expected to impact the business forecast in the remainder of the fiscal year. Consider whether recent developments necessitate the Company issuing a revision to previously released closing guidance.

Anticipate questions which will be raised by executives, Board of Directors, analysts and investors. Compile a robust Q&A document to ensure that the executive and investor relations teams are sufficiently prepared to communicate during the earnings press release and conference call.

Monitor for changes in the deadlines for reports submission to the regulators and other state authorities like the Commercial Register, Bulgarian National Bank, National Statistical Institute.

Monitor for changes in the submission rules and change the submission processes accordingly. Identify a person responsible for the each process of submission and the submission itself.
Prepare for future cycles

**75** Conduct robust close debrief to determine improvements needed for future period-end close cycles.

**76** Implement tools & technology to streamline financial close process (e.g. enhanced usage of workflow and collaboration tools, quick automation opportunities).

**77** Consider implementing longer-term efficiencies for future periods, including chart of account simplification, auto-reconciliation capabilities and close process project management / workflows tools.

**78** For future cycles, consider which tasks or activities can be shifted prior to month end. For example, establishing cut-off for final payment run one week prior to close.
79  Consider simplifying allocation and reclass activities to improve efficiency.

80  Designate process owners to drive efficiency, both within Finance as well as other functions such as Legal, Procurement, HR, IT, etc. If Global Process Owners are not already identified, consider doing so now.

81  Evaluate ongoing data and information needs for accounting and disclosure and develop processes to obtain on a timely basis.

82  Evaluate readiness for Digital Audit and SOX testing if applicable.

83  Develop remote internal audit and internal controls approach.
Stay connected

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