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Finance and system transformation: Centralizing global statutory reporting

The current state of global statutory reporting (GSR) is largely decentralized with overwhelmingly manual and complex processes, inconsistent policies, and perpetual changes in financial reporting disclosure requirements—posing data risks and inconsistencies, all while drying up the time, energy, and budget of an entity's finance function. Many traditional reporting systems are inefficient across the board, providing lack of visibility into local data and offering inadequate mechanisms for coordinating cross-functional teams. The disaggregated, inefficient, and inconsistent processes may leave room for human error and could cause reputational harm to an organization—but there's a way to help avoid this. Proactively transforming global statutory reporting to a centralized delivery model can create an opportunity to improve transparency and enhance efficiency. This can help to free up an entity's resources to focus more on business efficiencies.

Global statutory reporting involves the preparation and filing of local financial statements and nonfinancial information at an individual legal-entity level. This reporting process presents complexities as each financial statement must be submitted in the local language and meet local accounting standards and report formats. As companies expand in scale and geographical footprint, implementing an efficient and effective statutory reporting process can become increasingly challenging. Even with finance teams leaning on modern enterprise resource planning (ERP) systems, the manual preparation of statutory reporting often leads to errors and inefficiencies.

With additional other requirements on the horizon, including environmental, social, and governance (ESG) reporting and assessing the impact of the Organisation for Economic Co-operation and Development (OECD) Pillar Two global minimum tax rules, statutory reporting should not be merely viewed as a stand-alone compliance exercise. Leading companies are transforming how local reporting is completed by aligning the right people, transforming inefficient processes, and leveraging new digital platforms to support all types of reporting.

Let's dive into possible ways in which your organization can transition from manual spreadsheets to centralized digital solutions that allow much of the global statutory reporting process to be simplified, standardized, and automated.

Why change now?

Many companies struggle with reporting processes that can be cumbersome and expensive; however, there are opportunities to streamline and optimize. Often, companies defer their global statutory reporting transformation because it's assumed this either cannot be done concurrently with their possible ERP, ESG, and/or tax transformation, or it's assumed the ERP implementation would automatically support updates to the statutory reporting process. These assumptions can result in missed opportunities to save critical resources. Fortunately, incorporating global statutory reporting within existing transformation projects is possible because they oftentimes use similar data, processes, and technology.

As CFOs look to increase efficiency, they will likely look for their controllers to combine reporting processes so the accounting teams will be better prepared for new regulatory changes and new technologies. As organizations strive to become leaner, reporting transformation and optimization can play a crucial role in achieving strategic objectives. Outlined below are some examples of current disrupters that are sparking global statutory reporting action and the strategies companies need to consider on their statutory reporting process.

By reducing the amount of manual data collection and report preparation across various departments, organizations can gain greater visibility into their business and effectively meet statutory reporting requirements with increased speed and efficiency. A connected statutory reporting platform, combined with harmonized accounting processes and policies, can enable smoother integration with ERP systems and other technologies. This can help to integrate data into a single source of information, which can help to automate the preparation of financial statements by linking directly to source data.

This integrated strategy can help to boost operational efficiency, contribute to risk reduction, and may help with cost savings. One possible outcome of a streamlined reporting model can be the reallocation of resources, so more people can support other business initiatives while a smaller group can focus on statutory reporting. From end to end, adopting a centralized approach can unlock enterprisewide value, from increasing timely findings and achieving audit efficiency to shifting work out of critical periods—all of which can lead to instilling greater stakeholder confidence.

Disrupter	Transformation strategy
New statutory reporting technology platforms	Cloud-based platforms create a single source of truth by seamlessly connecting organizations' existing ERP systems to reports such as financial statements, tax reports, ESG reports, and more.
Changes in tax laws resulting from the OECD's Pillar Two global minimum tax rules	As nations adopt new tax regulations for statutory jurisdictions, it's imperative to present reliable data to support compliance across multiple jurisdictions.
Investment in cloud-based ERP platforms	With more organizations investing in new ERP platforms, global digitalization is being recognized as a solution to local reporting inefficiencies.
Existing and new ESG reporting requirements	Reporting requirements will require clearly defined methods for capturing and reporting data, including nonfinancial ESG data, mirroring the requirements for financial reporting.
Shift to hybrid work models	Record to report activities can be performed remotely, allowing for increased access to lower-cost jurisdictions or creating an opportunity to move these activities to a centralized location where a presence is already established.

Choosing an effective path for centralization

Our clients are integrating processes that address local reporting challenges by connecting, standardizing, and automating statutory reporting functions. Transforming global statutory reporting can result in a range of benefits, from reducing internal costs and audit fees to improving transparency and compliance. Large organizations typically organize statutory reporting into one of these three operating models: centralized in-house, managed delivery, and co-sourced.

Organizations often consider their unique priorities and needs while determining whether to outsource their statutory reporting operations at a particular location or to keep it in-house. The most compelling factors that go into the decision-making include management's desired level of control in the statutory reporting process, accessibility to specialized talent, and the business strategy at a particular location. There are also other considerations that come into play when selecting a global statutory reporting model for your business, including the size of the local legal entity and complexity of local regulatory requirements.

Some companies opt to centralize their preparation of statutory reports in-house through a streamlined and automated process as discussed above. The benefits of a connected reporting platform that enables the harmonization of accounting processes globally and fully integrates the ERP and other source systems directly to

statutory reports generally result in lower compliance costs in the long run compared with other operating models. Companies that have recently adopted this model realized that centralization is more than just licensing the technology. The cross-functional collaboration, standardization of accounting policies, and optimization of processes are important factors to the effective implementation of this model.

When an in-house centralized approach doesn't align with an organization's needs, managed delivery (or an outsourced model) may be the preferred model for global statutory reporting. With this approach, a third-party provider with global expertise handles statutory reporting end to end for a company. Once the data is provided to the service provider, they will prepare and analyze the statutory reports with their centralized capabilities.

In the past, organizations often chose between keeping statutory reporting in-house or outsourcing to a third party. But now there are new opportunities to deploy a co-sourced model for organizations to both leverage their in-house resources and outsource when strategically necessary. Within this model, data sources are typically linked to a common reporting platform with connectors to create harmonized processes. This approach can help increase global process standardization and manage talent more effectively, while still aiming to gain efficiencies when a strong finance team is present.

Global Statutory Reporting (GSR)- Operating model approaches

We typically see large organizations organize statutory reporting into one of the three operating mode

	① Centralized in-house	**② Managed delivery**	**③ Co-sourced model**
People	Delivered out of a central hub, typically in a competitive labor cost jurisdiction	Handled by service provider for end-to-end statutory reporting	Self-managed when appropriate resources are available; third party managed when strategically necessary
Process	Simplified, standardized, and automated process that is harmonized with group accounting policies	Summarized data is provided to the service provider to prepare the statutory reports	Streamlined collaboration between co-sourcing providers to harmonize processes and data
Technology	Connected ERP and cloud-based GSR platform for automated report generation	Connected ERP and service provider's technology (third party hosts technology)	Self-managed entities with third-party management (client licenses technology, and third party hosts technology)

Operating Model Decision Points
Below are some of the key drivers in deciding which operating model is right for your company

Control/retention of reporting capability	Achieve more with optimized capacity	Access to specialized talent in low-cost jurisdiction	Harness tech-enabled transformation	Achieve cost certainty & containment	Accelerated speed to value

Centralized roads lead to increased efficiency

No matter which path your organization chooses, transforming your global statutory reporting process will likely result in opportunities for efficiencies. With each model's core focus in governance and compliance, your organization can move toward a harmonized accounting process that centralizes delivery and connects reporting platforms.

Through connected and automated global statutory reporting, organizations can link to existing source systems and provide accurate, real-time data inputs within their reports. But to start transforming your statutory reporting process, you'll need to consider the possible solutions to get you there.

Simplified and standardized processes can create efficiencies at the end of the reporting process as well—bringing us to the audit. Because many statutory reports carry an audit requirement, implementing consistent accounting policies and disclosures may lead to increased efficiencies throughout the audit process, especially when the same audit firm is used across jurisdictions. When these standardized processes are supported by a digital platform, companies can gain real-time visibility into the reporting process from start to finish and can enable centralized teams to manage regional or global processes.

Deloitte can advise you on the path forward and provide end-to-end insights that fit your organization's unique needs. From finding the specialized accounting, tax, and audit professionals, to connecting you with our trusted alliances for software automation, you can count on us for insights and experience in regard to global statutory reporting transformation.

Harmonized accounting process

Governance and Compliance

Connected reporting platform

Centralized delivery

To see where your company falls on the statutory reporting maturity spectrum, reach out to any of Deloitte's advisers.

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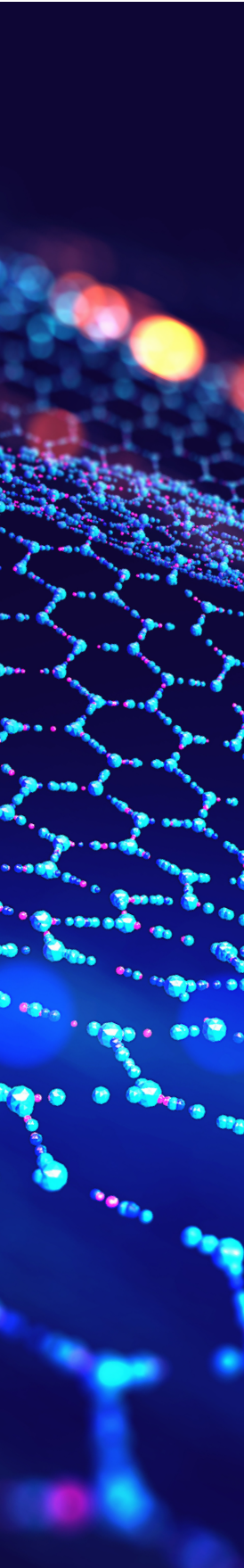
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