

Executing the Remote Financial Close

Financial Services Survey on Preparedness

2020 remote close survey results

Since early March 2020, finance professionals have been forced to shift to a remote working environment, challenging many organizations to manage a quarter-end close with a distributed and sometimes distracted workforce. Sectors across financial services (banking, insurance, investment management and real estate) have all faced challenges and are continually making adjustments to the ways they navigate these complex business challenges.

Deloitte survey

Deloitte conducted a survey of 25+ C-suite professionals, ranging from banking and capital markets, real estate, insurance and investment management, on the overall impact of remote work on the execution of the 2020 remote close – specifically, we surveyed companies across banking, insurance, investment management and real estate firms.

Insights and takeaways

In reviewing the results, it is clear that many organizations could have a better understanding of the overall impact remote working environment has had on the industry and how they compared to their peers in the past quarter. These takeaways can be leveraged to optimize future remote closes.

Critical Areas for Consideration



People



Process



Technology



Risk and controls



Sector-specific impacts

People

Remote close survey results

People are the most important element of the close process and the unexpected shift to a remote work environment has created additional challenges for a time-consuming and complex financial close process. **The challenges presented in the remote close environment place additional emphasis on consistent and regular communication and ensuring that all organizational objectives are met throughout the process.**

THEMATIC OBSERVATIONS

- ▶ Responding organizations across financial services would have liked to have better communication across functions for the remote close.
- ▶ Forty percent of respondents would like to see enhanced communications for future remote closes, **citing core close communication** as one of the areas they are considering making improvements.

DETAILED OBSERVATIONS

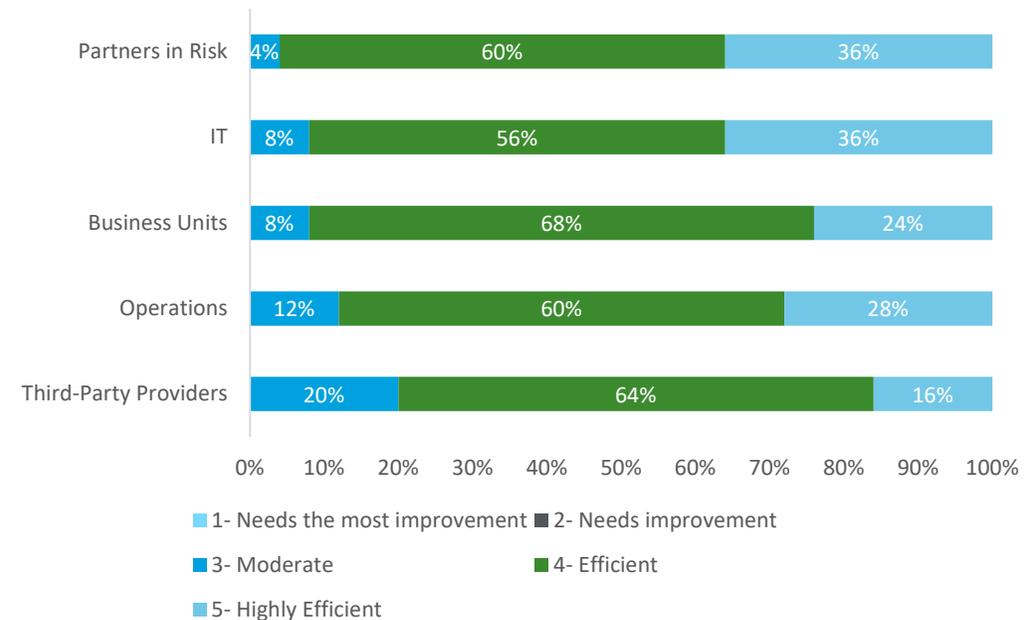
- ▶ **Learning curve:** Survey participants cited the learning curve **was steeper due to limited communication capabilities such as “getting used to using more communication and collaboration tools than previously used”**, as a result of the remote working environment and the challenges associated with closing while working from home.
- ▶ **Additional workload:** Some survey participants commented that the additional workload brought on by **documentation being requested to comply with policy standards** as a result of working remotely increased the challenges associated with a **remote** close.
- ▶ **Enhanced communication of tasks:** Establishing regular meetings to ensure execution of the close calendar is fully understood, countering inefficiencies created by the inability to maintain the in-person instruction of a typical office environment and alleviating some challenges of the remote close.

SECTOR INSIGHTS

- ▶ **LDTI Implementation:** Approximately 40% of insurance organizations reported a delay in progress to LDTI implementations as a result of the remote work environment.

SURVEY RESULTS

How would you rate the overall close communication within the core close team and with other key stakeholders in your organization (e.g., partners in risk, operations, IT, business units, third-party providers)?



Process

Remote close survey results



The remote work environment has caused businesses to rethink how they will serve stakeholders' needs of producing financial reporting information in a timely and efficient manner.

THEMATIC OBSERVATIONS

- ▶ Most close cycles (for 76% of responding organizations) are between 6-15 business days.
- ▶ About one-fifth of the total respondents expected delays in producing the trial balance remotely as compared to normal close cycle, while others expected to close the books with minimal or no disruption.

DETAILED OBSERVATIONS

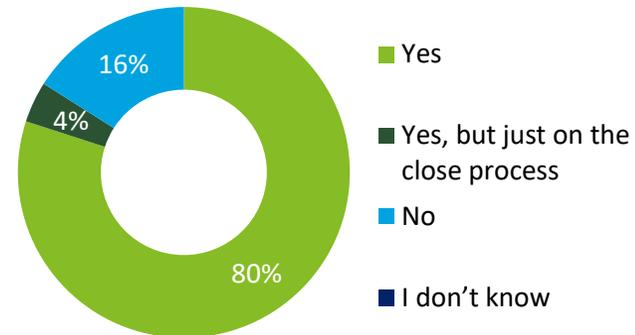
- ▶ **Delays in reporting:** While a majority of respondents reported no delay in closing the books on time, 20% of respondents experienced challenges in closing on time in a remote work environment.
- ▶ **Challenges:** Respondents indicated that the most challenging aspects of the remote close process were tied to *technology performance, data capture, monitoring and governance and control execution*.
- ▶ **Other process impacts:** Legacy processes had to quickly adapt to new processes (e.g., transition for mail collection, delivery, payables execution).

SECTOR INSIGHTS

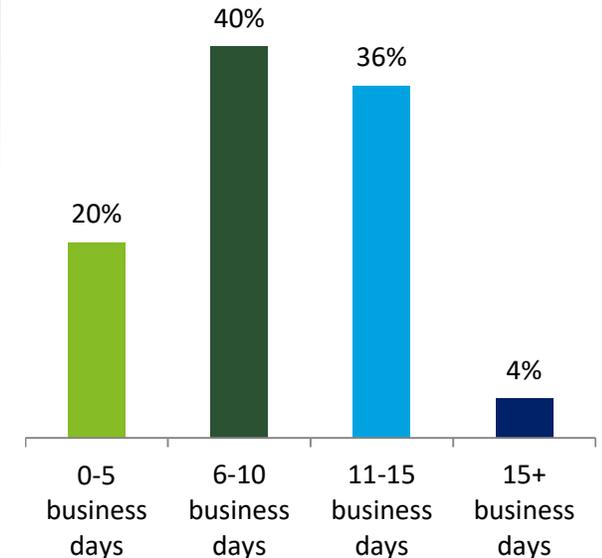
- ▶ **Sixty percent** of the entities that reported delays in their typical close cycle are in the banking sector.
- ▶ Top finance close activities that experienced delays within banks, relative to typical close calendar included **transaction processing for loans and allowances** and for **security valuation, impairment, and leveling, investment and hedging activity**.

SURVEY RESULTS

Did your organization perform an assessment on the remote close impacts to the overall finance service delivery model (e.g., close calendar assessment and/or reprioritize activities to achieve close deadlines prior to the close beginning)?



How many business days is the typical close cycle to produce trial balances?



Technology

Remote close survey results



After finalizing the first remote close, many IT teams and users assessed whether their infrastructure required enhancement to effectively support future remote closes. Most determined that team had to adapt to new collaboration methods where improved teaming, communication, and workflow tools (in addition to remote desktop solutions) would be valuable.

THEMATIC OBSERVATIONS

- ▶ Technology-enabled solutions such as collaboration tools, automated close workflow platforms and robotics significantly enabled success for responding organizations' remote close.
- ▶ Organizations identified IT infrastructure, network capacity, and overall technology improvements are needed for an efficient remote close experience.

DETAILED OBSERVATIONS

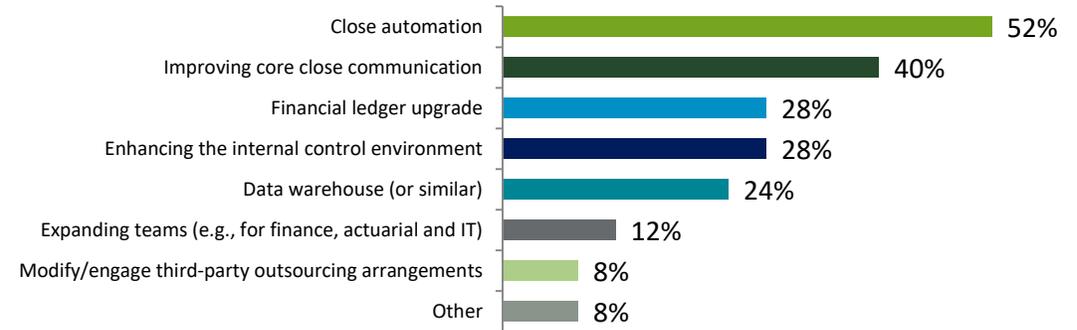
- ▶ **Collaboration and communication tools:** A major success driver for organizations' remote close was early adoption of collaboration and communication tools.
- ▶ **Close automation:** More than 50% of organizations consider close automation an area for improvement (refer to illustration to the right).
- ▶ **Cloud-based solutions:** Employees had easy access to data through solutions which enabled efficient remote close.
- ▶ **Technology improvements:** Nearly one-third of organizations identified that close automation and improving core close communication are needed to their core finance/controllership IT infrastructure landscape (refer to illustration to the right).

SECTOR INSIGHTS

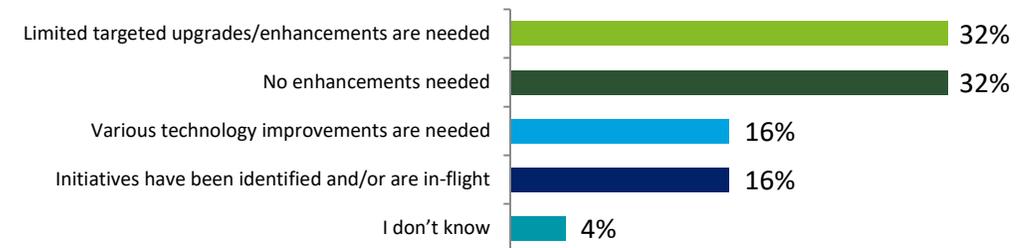
- ▶ Across financial services, organizations are clearly focused on improving the automation of the financial close, as well as placing a greater emphasis on improving core collaboration capabilities and communication.

SURVEY RESULTS

Given recent experiences, which areas are you considering making improvements? (Select all that apply)



To what extent do you feel your organization's core finance/controllership IT infrastructure landscape (e.g., general ledger, sub-ledger(s), data warehouse) needs to be enhanced/modernized for an efficient remote close experience in the future?



Risk and controls

Remote close survey results



The shift to a remote workforce has increased the need for coordination and oversight around organizations' risk and controls environments. During these times of rapid change and uncertainty, entities should ensure messaging at firm-wide levels is being consistently and clearly communicated to **help mitigate the risk of control failure.**

THEMATIC OBSERVATIONS

- ▶ **Control execution was among** the top four challenging aspects of the 2020 remote close as selected by survey participants.
- ▶ **Sixty percent** of organizations performed an **additional internal controls assessment** before or after the close to consider impacts of remote work on close activities.

DETAILED OBSERVATIONS

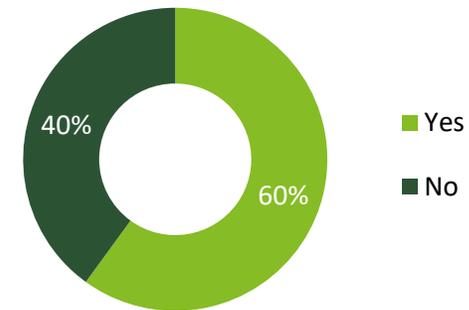
- ▶ **Adjustments to strategy:** The increase in internal control assessments correlated to an increase in the modification of key internal controls as almost all organizations that reported performing the additional assessment also reported making modifications to their key internal controls.
- ▶ **Enhanced control environment:** Many respondents across financial services indicated that post the current quarterly-close, they would seek to enhance their controls environment.
- ▶ **Documentation/analysis:** Of the most challenging aspects of the remote, one organization cited, "**Additional documentation** and **accounting analysis** required due to change in environment and risk levels".

SECTOR INSIGHTS

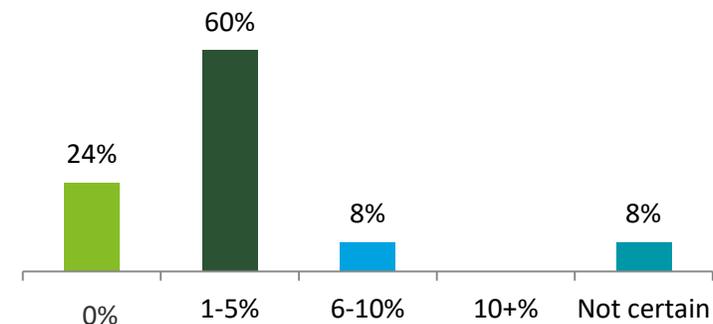
- ▶ **Awareness:** The Insurance sector was observed as the sector with the highest percentage of entities performing (either pre-close or post-close) an additional internal controls assessment.

SURVEY RESULTS

Did your organization perform an additional internal controls assessment before or after the close to consider the impact of remote work on close activities?



Approximately, what percentage of key internal controls required modifications or were newly created to conform to the impacts created by the remote quarter close?



Sector-specific insights

Remote close survey results



While the remote work environment has impacted all sectors across the financial services industry, organizations should consider the unique, sector-specific impacts identified by our respondents in the survey.

	BANKING & CAPITAL MARKETS	INSURANCE	INVESTMENT MANAGEMENT / REAL ESTATE
Top financial close activities that experienced delays relative to typical close calendar	<ul style="list-style-type: none"> (1) Loans and allowances (2) Security valuation, impairment and leveling, investment, and hedging activity (3) Manual journal entity booking (4) Forecasting (5) Reporting – 10Q disclosures and (6) Close process oversight 	<ul style="list-style-type: none"> (1) Corporate actuarial sign-off on balances in ledger (2) Development of management/internal reporting (3) Investment data and performance (4) Reinsurance data (5) Treasury 	<ul style="list-style-type: none"> (1) Reconciliations (2) Data conversion and processing (3) Development of management/internal reporting <p><i>Fund-close activities that experienced delays relative to typical close calendar included:</i></p> <ul style="list-style-type: none"> (1) Reconciliations (2) Ledger processing and journal entry booking (3) Development of management reporting
Data processing and information gathering activities impacted	<ul style="list-style-type: none"> (1) Security valuation, impairment, and leveling (2) Forecast data (3) Treasury 	<ul style="list-style-type: none"> (1) Investment data and performance (2) Reinsurance data (3) Treasury 	<ul style="list-style-type: none"> (1) Forecast data (2) Investment valuation and leveling (3) Performance data (4) Treasury
Impact on Regulatory and Statutory Requirements	Impact anticipated by almost three-quarters of responding organizations	Impact anticipated by one-fourth of the respondents	Impact anticipated by approximately one-third of the responding organizations
2020 Remote Close preparedness	<ul style="list-style-type: none"> ▪ More than half of respondents indicated a higher effort needed as a result of the remote work environment compared to calculation of the January 1, 2020 CECL opening balance ▪ Only 14% of the organizations indicated they are ready to handle additional volume, & incremental CARES Act reporting needs 	<ul style="list-style-type: none"> ▪ Seventy-five percent of the organizations reported that they assessed the remote close impacts to solvency capital requirement models and calculations ▪ More than one-third of organizations reported a slowdown or delay in progress to large corporate liabilities, while a fraction of organizations reported closing their books less than monthly or quarterly 	<ul style="list-style-type: none"> ▪ Eighty percent of the respondents performed an assessment regarding the remote working impacts on the close but certain organizations nonetheless experienced delays ▪ The major aspects identified as most challenging by the respondents in the remote close process included: technology performance, data capture, monitoring and governance, and control execution.



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