



Finance starter kit: how banks can accelerate an automated close

Best practices and first steps



INTRODUCTION

How do banks assess their financial state, in real time, and quickly take any necessary action? This is a challenge that their finance and executive teams constantly face—especially in the current environment.

More than ever, today's banking institutions are focused on preparing for whatever may come next while identifying new areas for growth. Even without the additional challenges created by the pandemic, banks must always look for opportunities to modernize their finance function so they can spend less time closing the books and more time driving growth and performance.

Banking CFOs and their finance teams are also under incredible pressure to quickly adapt to constantly changing, complex regulations—and they can't afford to be slowed down by manual processes and inaccuracies. An automated close that connects stakeholders, systems, and data is critical for getting timely, accurate information into the hands of regulators and decision-makers.



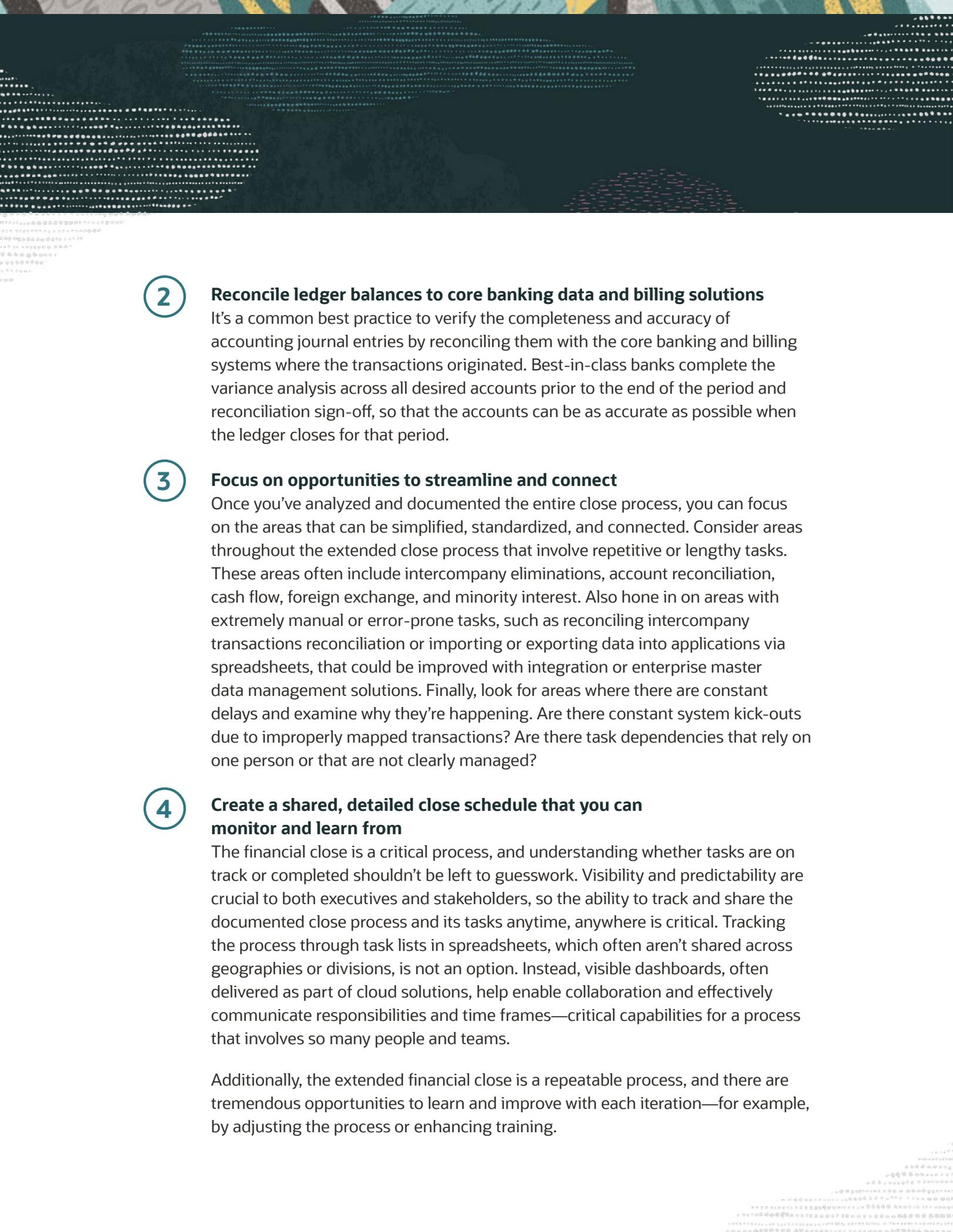


Best practices for an automated financial close

Let's review a handful of best practices for streamlining and automating your financial close process.

- 1 Address the extended financial close process**

It's important to address the extended financial close, which can encompass the subledger close, the identification of irregularities and errors, account reconciliation, tax provision, and the submission of filings to the appropriate regulatory body. It's impossible to improve and automate the financial close process without examining and documenting it in its entirety—including the thousands of activities and hundreds of people involved (even in a midsize bank) across geographic regions and subsidiaries—and without having a clear understanding of the dependencies and task durations.



2

Reconcile ledger balances to core banking data and billing solutions

It's a common best practice to verify the completeness and accuracy of accounting journal entries by reconciling them with the core banking and billing systems where the transactions originated. Best-in-class banks complete the variance analysis across all desired accounts prior to the end of the period and reconciliation sign-off, so that the accounts can be as accurate as possible when the ledger closes for that period.

3

Focus on opportunities to streamline and connect

Once you've analyzed and documented the entire close process, you can focus on the areas that can be simplified, standardized, and connected. Consider areas throughout the extended close process that involve repetitive or lengthy tasks. These areas often include intercompany eliminations, account reconciliation, cash flow, foreign exchange, and minority interest. Also hone in on areas with extremely manual or error-prone tasks, such as reconciling intercompany transactions reconciliation or importing or exporting data into applications via spreadsheets, that could be improved with integration or enterprise master data management solutions. Finally, look for areas where there are constant delays and examine why they're happening. Are there constant system kick-outs due to improperly mapped transactions? Are there task dependencies that rely on one person or that are not clearly managed?

4

Create a shared, detailed close schedule that you can monitor and learn from

The financial close is a critical process, and understanding whether tasks are on track or completed shouldn't be left to guesswork. Visibility and predictability are crucial to both executives and stakeholders, so the ability to track and share the documented close process and its tasks anytime, anywhere is critical. Tracking the process through task lists in spreadsheets, which often aren't shared across geographies or divisions, is not an option. Instead, visible dashboards, often delivered as part of cloud solutions, help enable collaboration and effectively communicate responsibilities and time frames—critical capabilities for a process that involves so many people and teams.

Additionally, the extended financial close is a repeatable process, and there are tremendous opportunities to learn and improve with each iteration—for example, by adjusting the process or enhancing training.

5

Use intelligent process automation (IPA) and machine learning technologies to improve the extended close

IPA can significantly improve many accounting and finance tasks that are currently manual, such as account reconciliations, financial close processes, and statutory reporting. IPA is considered to be the next evolution in robotic process automation, as it elevates rule-based automation to machine learning-based automation—meaning there's no need to continuously write new rules. IPA layers in artificial intelligence to observe and analyze data, its history, and its context, and it can identify new patterns, recommend new rules, and suggest modifications to make existing rules more efficient.

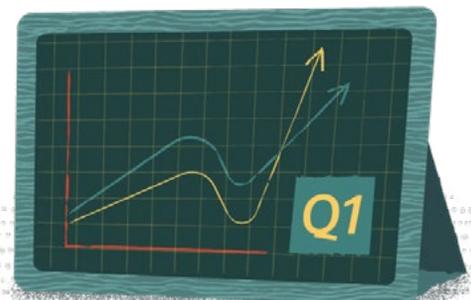
With IPA, finance teams can automate account reconciliations so that they won't even need to touch them. IPA can also help automate much of the close orchestration, track the status of tasks across multiple systems, automatically kick off close processes as soon as dependent tasks are completed, and update the close calendar for visibility. These IPA improvements free up users to focus more on value-added work; for example, instead of reading long documents to process suspicious activity reports (SARs), compliance officers can rely on IPA with natural language processing capabilities to extract the necessary information and enter it into the SAR form.

6

Provide timely, self-service reporting

Providing timely and accurate information to decision-makers is really the ultimate objective. Therefore, it's a best practice to deliver flash and automated reports while also providing a self-service system that gives users secure, remote, 24/7 access to the latest financial information—removing the dependency on finance for report generation and analysis. Decision-makers will appreciate how modern reporting tools, such as interactive dashboards, allow them to get information when and where they need it.

Finally, take a collaborative approach to reporting, enabling contributors to access content based on their role, provide commentary, and see the progress of financial and management report packages. This will ensure you're providing clear, accurate, and detailed information to all stakeholders while getting you to the last mile of the financial close faster.



Steps to get started

- Step 1** Identify where you can eliminate manual processes.
- Step 2** Determine whether your systems can support an extended, connected close.
- Step 3** Evaluate automated technologies and cloud solutions that offer standardized, best practices.
- Step 4** Outline a plan for continual monitoring and frequent adjustments. Don't just set it and forget it.



Quick reminders

- ✓ Address the comprehensive close process, and don't forget to consider the needs of important groups such as the tax team, who play a key part in an automated close and rarely get the tools and attention they need to connect to the close process more effectively.
- ✓ Pay attention to lengthy or extremely manual processes. These areas will benefit the most from IPA and machine learning technologies.
- ✓ Track the close process, and don't underestimate the value of the transparency and collaboration cloud solutions can enable.
- ✓ Monitor your progress constantly to find areas for improvement.

Looking forward

An automated and connected financial close enables finance teams to respond to changes and address stakeholder demands for faster, more-accurate, and more-transparent reporting. Banks with an automated close instill confidence in their employees and customers and free up a significant amount of time for finance teams to do more strategic work.

In fact, employees in finance functions currently devote 73% of their time to data analysis tasks that could be automated, according to the [“PwC 2021 Finance Effectiveness Benchmarking Study.”](#)

Fortunately, the appetite for automation and modernization is high. Additional [research from PwC](#) reveals that CFOs in financial services are more inclined to use automation to improve decision-making than those in other industries. That’s no surprise, since an automated, streamlined process can ultimately help banks drive profitability, meet evolving requirements, and lower costs.

Learn more about accelerating an automated close and other opportunities to modernize finance.

[Learn more about finance modernization](#)

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