GUIDE

Close Automation Software:
How Technology Can Improve the Financial Close

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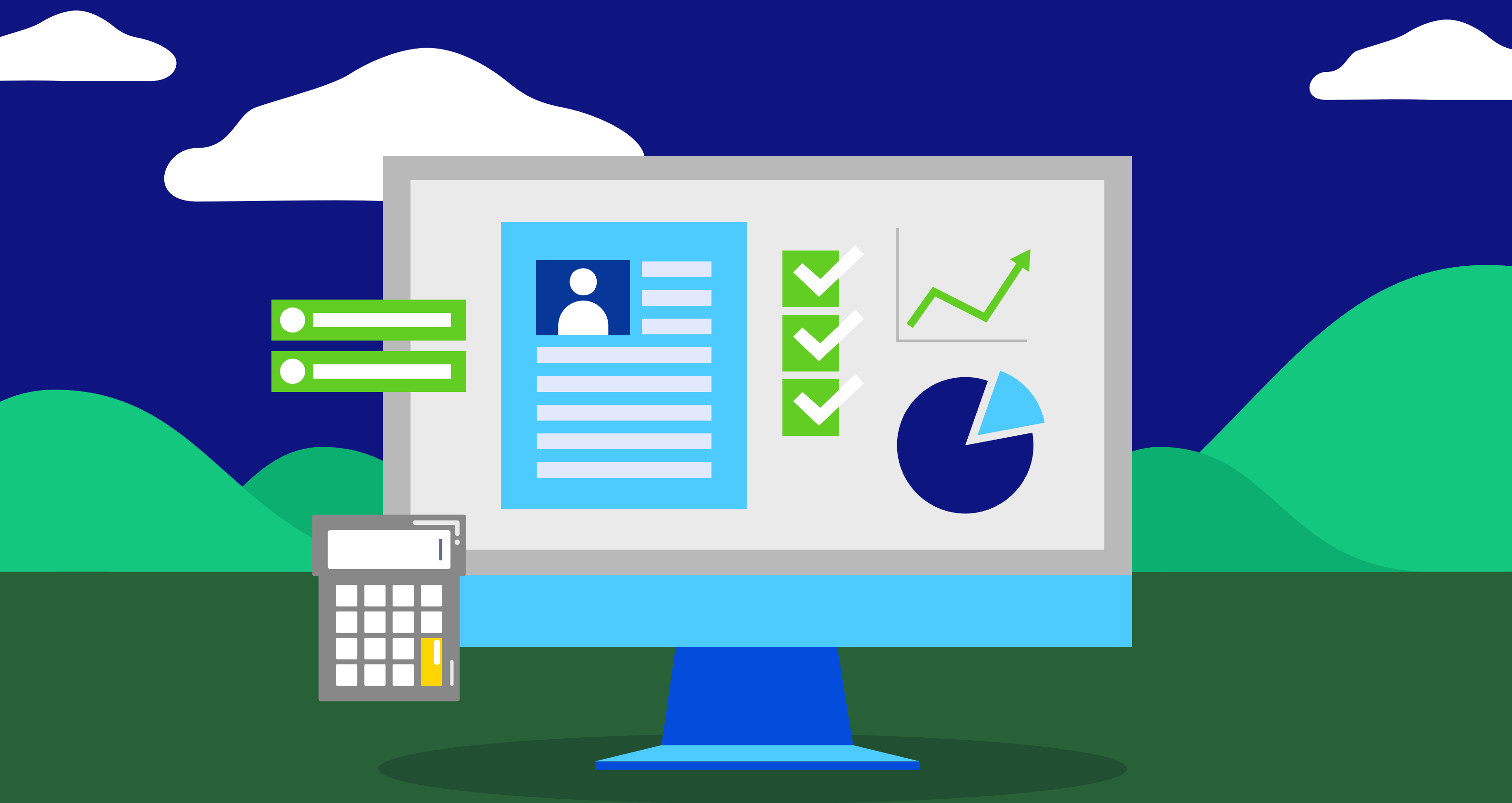
The financial close is an efficiency challenge for companies of all sizes, not least because it demands the time and attention of accounting teams, increases individual pressure on employees and controllers, and delays other critical or value-adding tasks. FloQast research suggests that finance departments spend up to 40% of their working time every month dealing with the previous month's close - which amounts to around 8 days every month. That time requirement increases when it comes to the annual close, which can take some companies up to 40 business days to complete.

Financial close inefficiency is commonly attributable to out-dated manual processes that are not in alignment with the regulatory landscape or that do not meet a company's growing administrative burden. The objective of CFOs and close controllers should be to find ways to eliminate those inefficiencies, simplify workflows, and, ultimately, reduce close completion times. The most effective way to achieve that goal is to leverage accounting software tools to automate the often-tedious and complex work that slows down the monthly close, and free up time for employees to work on more strategic, value-adding tasks.



What is Close Automation Software?

Close software refers to any software tool that companies can use to help close the books at month-end (and year end). While accounting teams have traditionally tracked their close progress with an Excel spreadsheet, recent software innovations have significantly boosted the speed and efficiency of the close with advanced process automation.

The close software platform that a firm selects must be flexible enough to address the specific inefficiencies of its monthly process. In practice, that means that firms should review their close workflows in detail in order to identify both weaknesses in manual processes, and areas where automation will deliver the greatest impact.

Let's explore some key inefficiencies of the close process - and how close software applications can help accounting teams resolve them.

Key Close Inefficiencies

Excel checklist

Inefficiencies:

Excel spreadsheets are a foundation of the manual close, with accounting teams using the platform to track task progress and the application of internal controls. The typically-high number of close task dependencies often means that teams struggle to properly track progress on Excel, and to adjust tasks down the dependency chain when problems occur. Similarly, Excel spreadsheets lack real-time collaboration functionality and do not offer automatic audit trails - so teams that manage the close across multiple spreadsheets often cannot keep track of individual and overall progress. As useful as Excel is to many teams, it was not built to be a project management tool and, as a result, close progress often ends up being communicated during status meetings, which can leave certain stakeholders out of the loop.

Solutions:

Close software can automate much of the manual burden of the close, including tracking the progress of critical tasks such as data collection, reconciliations, and reporting. Close software can also integrate control and compliance into the day-to-day detail of close tasks - rather than employees needing to manage that independently on an Excel spreadsheet. Finally, integrated automated controls remove friction and bottlenecks, helping teams complete and track controls, set out individual control responsibilities, and even scale controls up and down to meet changing regulatory needs.

Deadlines and scheduling

Inefficiencies:

One of the most challenging aspects of a manual close is the human effort required to complete tasks on time. Close deadlines are heavily contingent on task scheduling, including the timely input of key individuals who must collect and analyse data, or create and submit reports. That scheduling pressure can result in an increased risk of error, limit scalability, and create a lack of real-time insight into financial performance. Obstacles to the completion of a given task often have immediate knock-on effects on dependent tasks, which inevitably affects deadlines.

Solutions:

By adding automated speed and efficiency (to an effective company culture), close software can reduce or even eliminate the pressure challenges inherent in the manual close. The time-saving and organisational benefits of platforms like FloQast include increased visibility into scheduling challenges, streamlined workflows, reduction in human error, and easier scalability - which can, in turn, significantly enhance experiences for employees during the close.

Global footprint

Inefficiencies:

The geographic scale at which a company operates may affect the speed of its close - not least because of the volume of work that must be completed on a monthly and annual basis. For example, companies with offices or subsidiaries in different jurisdictions, with a large population of remote employees, or which are expanding into new regions, may find it difficult to share critical financial data, such as Reconciliation reports, and must work harder to consolidate that information during the close. Different regions will also have different accounting standards and regulations, which add a further layer of complexity.

Solutions:

Close software platforms expand communication and collaboration possibilities. Rather than having disparate team members engage over slow, opaque email threads, close software streamlines communication by integrating messaging software with file management tools, and allowing real-time engagement over 'live' documents. These messaging platforms typically offer a range of functionalities including the creation of dedicated work groups, remote access, and third-party access to let clients and auditors stay in the loop.

Resource and Time Management

Inefficiencies:

Many accounting teams rely on manual time tracking and resource management practices during the close (often via Excel or similar spreadsheet software). The constant need to update task progress manually is a common accounting efficiency problem since manual documents often create a lack of real-time visibility between teams, obscuring available time and resources, and preventing teams with a greater bandwidth being assigned to more critical tasks. Poor visibility of team member bandwidth may also lead to certain teams and individuals becoming overburdened during the close, increasing, for example, the possibility of misstatement during reconciliation.

Solutions:

Close software can increase the visibility and accountability of specific tasks across companies, departments, and teams. FloQast, for example, allows managers to assign responsibilities to teams and individuals, and efficiently coordinate workflows via a high level dashboard. Rather than assigning a task to "the legal department", that task can be tagged with specific names, and even dependencies. If a task is going to be delayed for any reason, the issue can be flagged clearly, with all stakeholders automatically alerted, and dependent tasks adjusted for the new delivery date.

Reconciliations

Inefficiencies:

The monthly Reconciliations process is one of the most time-consuming and complex components of the close. For companies that use Excel (or a similar platform) to manage tasks, team members may be required to review thousands of line items, working with data from source documents which are often not uniform, and which require extensive formatting. Similarly, manually cutting and pasting transactions between Reconciliation documents can be extremely time consuming - especially if there are a large number of bank transactions and journal entries to compare.

Solutions:

Automated close software can significantly streamline the Reconciliations process. Close software allows accounting teams to line up general ledger activity with source document transactions to find reconciling items faster, or even implement intelligent transaction matching to automatically review thousands of line items in seconds. Accounting teams can apply automatic tracking to historic reconciling items to make sure they can be found quickly when the need arises, and can use standardised forms and automated balancing tools to make the review of ledger activity easier.

Audit Responsibilities

Inefficiencies:

Internal and external audits present their own challenge for companies simultaneously managing monthly or annual close tasks. In addition to dealing with prepared by client (PBC) requests, collecting and organising audit documents, accounting teams may be required to answer auditor questions via time-consuming emails or calls, and address requests for historical information. In the context of a manual close, audit tasks can represent a significant and time-consuming burden.

Solutions:

Close software enhances the capability of accounting teams to manage their responsibilities during an audit. Rather than burying important audit-related information in spreadsheets, or filing away physical copies, software platforms enable accountants to organise audit documents on a shared, centralised drive, facilitate access to those documents, communicate effectively with auditors, and ultimately speed up the audit process.

Controls

Inefficiencies:

Companies must ensure the application of strict financial controls during the close - and during audits. UK Corporate Governance Code compliance, for example, imposes new reporting responsibilities on large UK companies, which will be tested during an audit. Accounting teams that rely on a manual close may struggle to find and retrieve data that supports their internal controls, and to take auditors through their accounting function - an issue that can ultimately increase audit risk.

Solutions:

In addition to streamlining the close process itself, close software can address control pain points, and minimise audit risk. Close software helps accounting teams document the application of internal controls, increase the visibility of those controls, and better organise sign-off dates. Furthermore, teams can use close software to walk auditors through the accounting function quickly and easily and to retrieve historical data to demonstrate the proper application of controls.

Implementing the Right Solution: The FloQast Advantage

Over time, general ledger software has advanced to help with many facets of the accounting function but has, for the most part, neglected the project management aspect of the monthly close. Close software promises to bridge that gap for management and, finally, provide a tool that puts the close process at the forefront, making life easier for employees, and reducing completion times.

With that in mind, the following real world deployments demonstrate the advantages of modernising your close with FloQast, by deploying tools like **FloQast Close** and **FloQast Compliance Management**:

A global mattress manufacturer with a footprint stretched across several time zones, Emma - The Sleep Company was struggling to manage communication and insight across a 70-person accounting team. In implementing FloQast Close, the company increased visibility into its monthly close process - even though that process was spread across several continents - and was able to automate the most tedious parts of the close, freeing up valuable time and resources for the team to focus on more impactful business tasks.

Get Your Guide, a global travel company selling tours, excursions, and other curated experiences, had a manual monthly close process that took almost 20 days to complete. That monthly burden was becoming unsustainable, and was preventing teams spending time on other vital activities including reporting and forecasting. By integrating FloQast, Get Your Guide's accounting team gained access to the Dashboard - and clear visibility into the overall monthly close progress, problems, and bottlenecks. With the benefit of FloQast, Get Your Guide reduced its monthly close time to 7 days.

Empower Accountants for Future Close Challenges

The regulatory landscape is constantly evolving, and CFOs must keep an eye on the horizon for new legislation, such as the EU's Corporate Sustainability Reporting Directive (CSRD) or its proposed Invoicing directive, that might impact their close burden. The prospect of new regulation, new technology, and company growth means that close inefficiencies should represent an ongoing concern for CFOs. Beyond the need to address internal weaknesses, CFOs should think about software as a means to capitalise on emerging and future innovations, and keep their company at the cutting-edge of a competitive commercial landscape.

From AI-powered data analysis to automated cloud flexibility, and from individual team members to entire departments, close management software represents more than just automated speed and accuracy, but a valuable opportunity to alleviate the tedious detail of manual tasks, make life better for employees, manage expanding compliance obligations, and prime companies for growth.

To find out how FloQast can help your company modernise its close, get in touch today.

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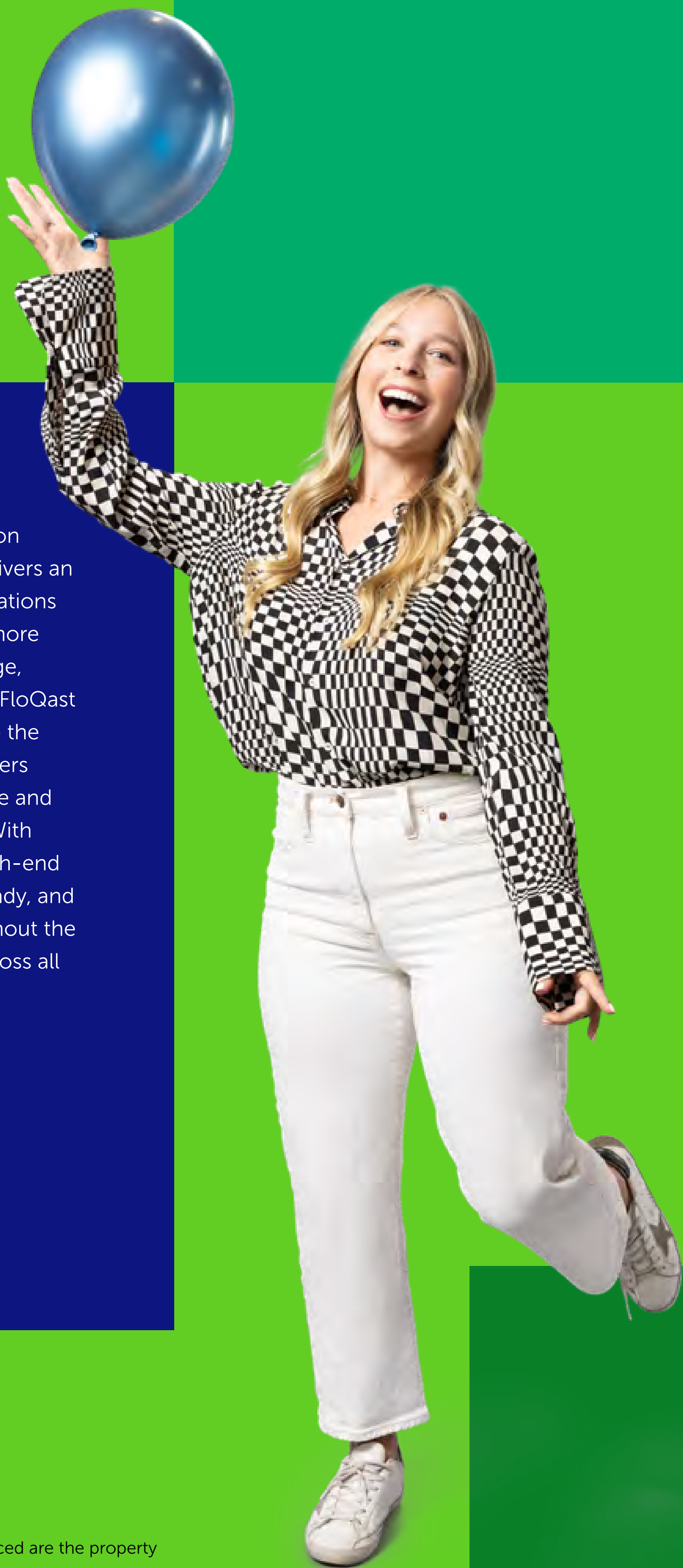

About FloQast

FloQast, a provider of accounting workflow automation software created by accountants for accountants, delivers an Accounting Operations Platform that enables organizations to operationalize accounting excellence. Trusted by more than 2,500 accounting teams – including Michael Page, Emma Sleep, Just Eat Takeaway and GetYourGuide – FloQast was built by accountants, for accountants to enhance the way accounting teams work. FloQast enables customers to streamline and manage the Financial Close, Finance and Accounting Operations, and Compliance Programs. With FloQast, teams can manage every aspect of the month-end Close, reduce their compliance burden, stay audit-ready, and improve accuracy, visibility, and collaboration throughout the financial function. FloQast is consistently rated #1 across all user review sites. Learn more at FloQast.com.

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