



REYES TACANDONG & Co.
FIRM PRINCIPLES. WISE SOLUTIONS.



PROCESS EXCELLENCE SERIES THE RECORD TO REPORT FUNCTION:

Advisory Process and Quality Management

August

THE POWER OF BEING UNDERSTOOD
AUDIT | TAX | CONSULTING



Reyes Tacandong & Co. is a member of the RSM network. Each member of the RSM network is an independent accounting and consulting firm, and practices in its own right. The RSM network is not itself a separate legal entity of any description in any jurisdiction.



INTRODUCTION

While companies can leverage on the data generated by their financial and management reports to gain insights, create value and improve their strategies, the problems arising from the record to report process have become major challenges that block the company to undergo financial transformation.

Moreover, the focus of the organizations has shifted to business continuity and resilience, and the need for accurate and timely reporting to support business decisions has also become urgent. Failed coordination across accounting and finance operations, upstream and downstream teams, can create a ripple effect of delays when processing transactions.

These challenges have brought R2R solutions that target speed, accuracy, appropriateness, and at the same time convenience more relevant. This can be observed in organizations that have already adopted global R2R delivery models dealing with remote work arrangements.

Designing a future-proof and scalable finance and accounting operations is the best way to prepare your organization to withstand unforeseeable pandemic, at worst, or exponential growth, at best.

The objective of this Advisory is to help organizations - to start to address the 'how' and help build a roadmap to transformation to deliver costs savings, reduce risks, improve visibility, promote a faster close and improve overall financial and management reporting.



UP CLOSE IN THE R2R FUNCTION

R2R Function in a Nutshell

The Record-to-Report is a function connected to other several processes where data are processed and analysed before it becomes a value-adding information for the stakeholders. While this is an important conversion from raw data to a meaningful report, often times pain points from other business processes manifest in this function and can be seen from an organization-wide perspective.



DATA CAPTURE

Data from business operations needed to create financial and operating reports, including journal entries is collected, generated, classified, and

organized

- End-of-day Procedures
- Data Consolidation
- Transaction Posting



RECONCILIATION & ADJUSTMENTS

For a smooth flow, at a specified window time frame, necessary postings are validated to ensure transactions are booked, reconciled, adjusted and/or reversed in a timely manner

- Bank Reconciliation
- Inventory Reconciliation
- Asset Depreciation
- Asset Revaluation
- Settlement of Intercompany Transactions



CLOSING

Books of accounts and reconciled balances are closed for the period before financial reports are generated to ensure that data includes only for the identified report date

- Closing of Books
- Generation of Financial Reports



REPORTING & ANALYSIS

A verified and analyzed data is now used to generate a wide array of reports that includes exhaustive details regarding the company's performance, profitability, process and project management

- Financial Statements Reporting
- Financial Ratio Analysis and Data Analytics



UP CLOSE IN THE R2R FUNCTION

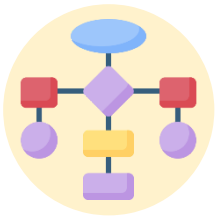
Elements of an Effective and Efficient R2R Function

An effective and efficient R2R function enables fast decision making based on insights derived from huge piles of data and focus on value-adding activities and strategic initiatives. This requires careful consideration of all relevant elements that affect financial data. Leveraging on these elements helps the organization achieve an optimized R2R



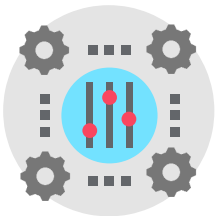
People

Right structure and management of people direct proper execution in the process. Sourcing for people with the right skills for the right roles is one of the most important components



Process

Defined end-to-end processes that integrates finance and business strategy help organizations optimize the use of its assets. Properly designed processes facilitate innovation and



Technology

Investing in appropriate and scalable technology solutions help organizations drive value creation and long-term cost savings through accurate and efficient reporting.



Data

Proper data management and governance enable delivery of accurate and timely business information and generate deep insights that are relevant to the various needs of stakeholders.



Governance

Clear guidance (i.e., accountability, transparency, comparability of results) on the four other elements create synergy between initiatives and continuous improvement of the financial reporting



R2R FUNCTION IN CONTROL

One differentiating element of an optimized R2R function is having an embedded controlling process. This includes validation of actual performance against established plans, standards, and metrics to identify any deviation. Any incident in carrying out R2R functions is documented and used for continuous improvements.

Key Points

- A good accounting system enables key financial control processes of a Company to be properly set up within the Record to Report Function
 - Operational planning and budgeting
 - Cost accounting
 - Project and investment controlling
 - Function controlling
- Controlling processes need to be carefully designed according to the Company's organization and reporting structure as well as its business cycle requirements to

Benefits of a Controlled R2R Function

1 Make Informed and Strategic

Helps top management and stakeholders develop strategic plans based on the available information and enables management to effectively analyze business operations to keep them ahead of the game

2 Enable Effective & Efficient

Makes preparation of reports for compliance, internal and external stakeholders systematic, accurate

3 Facilitate Systematic and Accurate Financial Reporting

Helps the organization to efficiently deploy resources to address pain points of other business processes that flows through and are discovered in the R2R process



“ ”

As companies strive for agility in a digital age, the importance of old-fashioned financial control cannot be overlooked.

Caesar Parlade
Partner, Digital Transformation Services



WHERE TO START TODAY?

Bridging the gap between where your organization is currently at and where you want it to be is no easy task. It is important that your organization's current state in the process excellence journey is properly acknowledged to ensure that challenges are anticipated, pain points are understood, and improvement opportunities are captured. The key to achieving the dream of doing more with less is to focus on people, process, technology and data improvements that minimizes costs, reduce risks and continue to improve efficiencies.

Common pain points in a R2R

People

- Non-segregation of incompatible duties for recording and review functions
- Lack of role clarity and performance measurement system
- Skills gap and unfit assignments of tasks and responsibilities

Data

- Absence of golden source of data
- Presence of duplicate, dirty and erroneous data in the master file
- Presence of data silos

Process

- Data posting and allocation errors
- Long processing time in reconciliation and closing of books
- Voluminous recording or processing of manual transactions

Technology

- Use of multiple non-integrated systems
- Limited system functionalities (e.g., reconciliations, intercompany transactions, consolidation)
- System controls and workflows not optimized (e.g. input validation, mandatory fields)
- Over-engineered systems

Process Excellence Maturity Model

1 Ad Hoc

The process is undocumented and/or in a state of dynamic change. It is driven in an ad hoc, uncontrolled and reactive manner by users or events.

2 Repeatable

There is inherent variation among people doing tasks in the process and discipline is unlikely to be rigorous.

3 Defined

Key performance indicators are monitored. The process is documented and subject to some degree of improvement over time.

4 Managed

Process metrics and control methods are used to identify ways to continually adjust the process to customer requirements. Process capability is monitored.

5 Optimized

Processes at this level focus on continually improving process performance through both incremental and innovative changes and improvements.

Advisory Process and Quality Management Team of RT&Co. employs a modified and more detailed matrix for identifying the maturity level of an organization's processes and defining approaches to systematically and efficiently implement improvements.



Contact Us



CAESAR PARLADE

Partner, Digital Transformation Services

cparlade@reyestacandong.com

+63.917.894.0520

www.reyestacandong.com



MARK LOUIE CONTRERAS

Senior Manager, Process and Quality Management

mlccontreras@reyestacandong.com

+63.917.833.7503

www.reyestacandong.com

“Socially distant yet virtually connected,
that’s how we do business today. Transform your business now and never let the serious crisis go to waste.”

#ProcessAdvisory

#GoDigital

#DigitalTransformation

THANK YOU

REYES TACANDONG AND CO.



ADDRESS

Makati • Davao
Cebu • Iloilo • Clark



WEBSITE

www.reyestacandong.com



TELEPHONE

+63 (2) 8982.9100

This report is not investment advice and should not be relied on for such advice or as a substitute for consultation with professional accountants, tax, legal or financial advisors. The authors made every effort to use reliable, up-to date and comprehensive information and analysis, but all information is provided without warranty of any kind, express or implied. The authors disclaim any responsibility to update the information or conclusions in this report.

We do not accept any liability for any loss arising from any action taken or refrained from as a result of information contained in this report or any reports or sources of information referred to herein, or for any consequential, special or similar damages even if advised of the possibility of such damages. This report may not be sold without the written consent of the authors