Financial Accounting Advisory Services

Digitalization of accounting and administrative processes

October 2014
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Digitalization of accounting and administrative processes
The need for digitalization

► Digitalizing paper processes can help you to improve your business performance.
► With mounting pressures on pricing, costs and efficiency – and with the technologies and the regulatory framework for digitalization in place – now is an ideal time to make your “paperless office” a reality.
► Digitalization is not just for large companies – any company that manages more than 3,000 documents per year will benefit.
Benefits of digitalization

Far-reaching benefits include:

► Cost savings
► Making business procedures quicker and easier
► Stronger business information, improved analytics and better process control:
  ► E.g., lower materials consumption, gains in time and productivity or less space dedicated to physical archives
► More effective and efficient process management
► Automated collection and payment processes through structured electronic document sharing
► Improved transparency of processes, opening up new credit models
► Increased data accuracy
► A more favorable sustainability profile, better corporate social responsibility performance and stronger environmental credentials
► Increased overall productivity and competitiveness
Benefits of digitalization (continued)

**Process efficiency**
- Gains in time and productivity
- Less space dedicated to physical archives
- Less time spent invoicing in accounting systems
- Higher accuracy due to fewer errors
- Enhanced control capability and process analysis
- Improved service capabilities to customers

**Improved sustainability profile**
- Improved corporate social responsibility activities
- Stronger environmental credentials
- Lower materials consumption

**Financial value chain**
- Gains in time and productivity
- Less space dedicated to physical archives
- Less time spent invoicing in accounting systems
- Higher accuracy due to fewer errors
- Enhanced control capability and process analysis
- Improved service capabilities to customers
Digitalization is not just about technology. Your business needs to consider the impact on the organization, and its culture and behavior.
How we can help you

We offer four solutions that can be combined to suit your business needs:

**Integrated document management systems**
- Digital “re-engineering” of business processes
- Consideration of regulatory frameworks for document management and archiving
- Detailed functional specifications to support system and workflow development
- Efficient process monitoring

**Electronic storage of accounting ledger**
- Design and implementation of an electronic ledger storage process

**Automatic recording and e-storage of invoices**
- Higher finance productivity
- Reduced operating costs
- Improved controls to minimize invoice routing and approval
- Alignment with regulatory requirements
- Better control over suspect payments
- Consistent processes across the company

**E-invoicing**
- An e-invoicing process and audit trail
- Reduction in administrative costs
Our integrated document management system gives you the tools to eliminate paper and speed up processes.

1. **Document acquisition**
   - Efficient document acquisition through the document management system

2. **Document management**
   - Automatic workflow
   - Logical folders based on multiple index keys
   - Version management
   - Documented delivery
   - Digital signature
   - Digital storage of documents
   - Integration with ERP and other business systems

3. **Process monitoring**
   - Monitoring of process efficiency
   - Compliance checks with legal frameworks, and company standards and policies
   - Opportunity for focused re-engineering of specific phases

We can help you:
- Digitally re-engineer business processes
- Ensure observing the regulatory frameworks for document management and archiving
- Define detailed functional specifications to support system development
Electronic storage of accounting ledger

- **Choice of operating model**
  - Choose in-house or outsourced
  - Define roles for your company, technology partner and certification authority (where applicable)

- **Responsibilities for electronic storage**
  - Identify storage system requirements and characteristics
  - Manage the storage process and alignment with regulatory framework

- **Electronic storage manual**
  - Identify type and format of documents to be stored
  - Process working model
  - Build infrastructure and security

Design and implementation of an electronic ledger storage process in line with regulatory frameworks
Automatic recording and electronic storage of invoices

Benefits of automating accounts payable processes:

► Higher finance productivity
► Reduced operating costs
► Improved controls to minimize invoice routing and approval
► Compliance with regulatory requirements
► Better control over suspect payments
► Consistent processes across the company

Digitalization processes aim to use data capturing systems, digitalization and document management to record incoming invoices. An integrated ERP system and other tools are used to time-stamp and create digital signatures to store documents.
E-invoicing

Legal source

Invoice directive 2010/45/EU

- Geared to eliminate legal obstacles related to electronic invoicing
- Aimed at simplifying fulfillments and reducing administrative costs through the adoption of electronic invoicing

Your benefits:
- Equality of paper and electronic invoices
- Clearer definitions of obligations relating to the recipient’s consent to electronic invoices
- Companies can choose how they ensure proper usage of the electronic invoice
- Reduced compliance costs
- Free choice of electronic invoice format

We can help you:
- Design an e-invoicing process and audit trail in consideration of the regulatory framework
- Define the functional specifications to support system development
The digitalization of accounting and administrative process

- We can help you with the **whole life cycle** – from identifying vendors to change management, business process re-engineering and the impact on IT systems.
- We are an **independent** advisor – we do not have a partnership with any software vendor.
- We structure our services to match the project life cycle in an eight-stage approach:

<table>
<thead>
<tr>
<th></th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Identify opportunities for digitization, build a business case for each and define the needed investments and cost savings</td>
</tr>
<tr>
<td>2</td>
<td>Assist in the selection of software and vendor(s)</td>
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<td>3</td>
<td>Design a new process according to function and user specifications, and legal requirements</td>
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<td>4</td>
<td>Design a development plan and review its implementation</td>
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<td>5</td>
<td>Plan and execute change management initiatives and training</td>
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<tr>
<td>6</td>
<td>Create a communications plan with internal and external stakeholders</td>
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<tr>
<td>7</td>
<td>Update procedures and operating instructions</td>
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<tr>
<td>8</td>
<td>Monitor results after the go-live date</td>
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A multidisciplinary team driving your success

Working with EY, you’ll have access to teams with specialist skills in process re-engineering, IT systems and accounting policies. We can also advise on the tax and legal requirements for your digitalization framework and facilitate compliance in those areas.

<table>
<thead>
<tr>
<th>Consolidated analysis methodology</th>
<th>Benchmarking</th>
<th>Knowledge databases</th>
<th>Knowledge of regulations and standards</th>
</tr>
</thead>
<tbody>
<tr>
<td>Methods for rapid assessment</td>
<td>Systematic approach and continuous product, service and process measurement</td>
<td>Access to a wide range of knowledge databases with a significant volume of useful information</td>
<td>In-depth knowledge of the regulatory framework governing electronic invoicing and digitalization</td>
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</table>
Your regional EY network

Africa
Angola, Botswana, Cameroon, Chad, Congo, Democratic Republic of Congo, Equatorial Guinea, Ethiopia, Gabon, Ghana, Guinea, Ivory Coast, Kenya, Madagascar, Malawi, Mauritius, Mozambique, Namibia, Nigeria, Rwanda, Senegal, Seychelles, South Africa, South Sudan, Tanzania, Uganda, Zambia, Zimbabwe

Belgium and the Netherlands

Germany, Switzerland and Austria

Commonwealth of Independent States
Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Russia, Ukraine, Uzbekistan

Central and Southeast Europe
Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Cyprus, Czech Republic, Estonia, Greece, Hungary, Kosovo, Latvia, Lithuania, FYR of Macedonia, Malta, Moldova, Montenegro, Poland, Romania, Serbia, Slovakia, Slovenia, Turkey

Financial Services Organizations
Belgium, Channel Islands, France, Germany, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain, Switzerland, the UK

India
Bangladesh, India

Mediterranean
Italy, Portugal, Spain

Middle East and North Africa
Afghanistan, Bahrain, Egypt, Iraq, Jordan, Kuwait, Lebanon, Libya, Oman, Pakistan, Palestinian Authority, Qatar, Saudi Arabia, Syria, United Arab Emirates

Nordics
Denmark, Finland, Norway, Iceland, Sweden

The United Kingdom and Ireland
The UK, the Isle of Man, the Republic of Ireland

<table>
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<tr>
<th>Employees worldwide</th>
<th>175,000</th>
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<tbody>
<tr>
<td>Countries worldwide</td>
<td>150</td>
</tr>
<tr>
<td>US$ revenue (2012–13)</td>
<td>25.8b</td>
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</tbody>
</table>

Digitalization of accounting and administrative processes
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Success story:
An Italian company in the infrastructure sector

EY value proposition:
► We supported an Italian infrastructure company with several sites across Italy. Our work helped them rethink their order-to-cash process and develop a new document management system integrated into their SAP system.

Elements of complexity:
► Organizational units involved in the solution were distributed all over the country
► Low attitude to change in middle management
► Paper-intensive process and duplication of archives
► More than 80,000 clients managed
► Recovery of debts partially outsourced to an external company

<table>
<thead>
<tr>
<th>Areas</th>
<th>Main achievements</th>
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<tbody>
<tr>
<td>Order-to-cash efficiency and elapsed time</td>
<td>► Saving of full-time equivalent (FTE) previously dedicated to the process</td>
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<td></td>
<td>► Reduction in the time spent searching, copying and sending documents</td>
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<tr>
<td></td>
<td>► Reduction of the elapsed time of the entire process</td>
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<tr>
<td>Tracking and archiving of process and documents</td>
<td>► Real-time visibility of document processing status</td>
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<td></td>
<td>► Destroying paper archives on different sites</td>
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<td></td>
<td>► Creating a single electronic archive</td>
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<td>Collection capacity</td>
<td>► Improvement of days sales outstanding (DSO) index in the first year</td>
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<tr>
<td></td>
<td>► Higher-quality information provided to the outsourcing company, boosting their performance</td>
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