

Using AI and Automation in the Finance Back Office

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Technology and automation have changed the way business is done. Everything from buying an airline ticket to purchasing groceries has been transformed by the use technology. But innovation has yet to fully play out in one key area: the finance back office. A significant number of back-office tasks are still done manually, resulting in wasted time, money and opportunities.

Harnessing technology and supercharging enterprise resource planning (ERP) systems with automation are key to transforming the finance back office. In this playbook, we'll detail how organizations can use AI, machine learning and natural-language processing to increase the speed, accuracy and productivity of their finance teams. We'll explore how these technologies can vastly reduce the time spent on vendor onboarding, tax form updates, invoice accruals and customer collections — time-consuming tasks that prevent finance teams from working on more value-added functions. The ability to drive intelligent decision-making by spotting trends in structured and unstructured data will also be addressed, with particular emphasis on how the insights gleaned can be used to reimagine businesses from top to bottom. And finally, we'll discuss these issues as companies operate in the midst of COVID-19, a global pandemic that has fundamentally changed the way the economy and businesses operate.



But first, let's start with the basics. The heart and soul — the anchor — of the finance back office is the ERP system. Over the past three decades, these applications have evolved, moving from client-server to web-based and now cloud-based offerings. Along the way, each iteration has enabled organizations to find better ways for accounting, budgeting and forecasting, and audit and tax teams to operate.

Advances in artificial intelligence and automation have progressed things even more, ushering in a new era for ERP. AI-driven workflows and better decision-making across the massive amounts of data that companies generate augment what finance people can do. It's giving them razor-sharp automation, insights they can use — in multiple forms — and perhaps most important, it's allowing them to respond to customer needs quickly and efficiently.

While that's certainly progress, this fact remains: Not every finance back office is leveraging this power, resulting in a reliance on largely manual approaches to get tasks done. This is a time-consuming, expensive and, ultimately, error-prone approach.



“

A large number of back-office finance teams are still not harnessing the power of technology or the innovation curve to rethink and reimagine how some of the classical, old-school tasks can be done.”

Rohit Gupta, CEO, Auditoria



Pain Points for Back-Office Finance Teams

The first half of 2020 will go down in history books for a number of reasons, not the least of which is the epic disruption caused by the global pandemic. This destructive health crisis not only paralyzed businesses across nearly every sector of the economy, but it also further amplified the top issues facing modern finance and accounting teams.

Among them:



Most companies **automate only a fraction** of back-office processes.



Accounts payable and accounts receivable (AP/AR) are **the most manual back-office processes**.



Nearly 50% of finance professionals say repetitive work is a massive drain on the organization.

Adding to the challenge is that most back-office finance professionals are, by nature, more conservative and less likely to disrupt the status quo. Further, making changes hasn't been easy. "There hasn't been a form that users can utilize effectively," said Auditoria CEO Rohit Gupta. "If you have to retrain your entire staff and make it this huge IT project, it's not going to work."



Precision decisions happen when you automate transactions, deploy artificial intelligence and create an autonomous enterprise. That's where we're headed in the next 10 years."

R "Ray" Wang, Founder, Constellation Research

Auditoria's SmartFlow Skills helps organizations increase the speed, accuracy, and productivity of finance teams by enabling them to automate, analyze, audit, and collaborate with cutting-edge technologies such as AI, machine learning, and natural language processing. SmartFlow Skills can be up and running in less than a day, and lets the back-office finance teams eliminate repetitive, time-consuming tasks in AP/AR, reporting and audit functions. This allows them to focus their time on more value-added insights.

SmartFlow Skills go a step further by keeping the human operator "at the wheel," enabling finance teams to step in when necessary to supplement information or redefine the parameters of what is being done.



AI can only get you so far. The uplift for an organization comes when you combine the technology and human intelligence to solve problems."

Rohit Gupta, CEO, Auditoria



Accelerating Insights and Decisions

Accurate and timely information is meaningless unless it's used to drive intelligent decision-making and forecasting. By applying powerful machine-learning algorithms to both structured and unstructured data, back-office finance teams can tease out valuable insights that might otherwise go unnoticed.

Recommendation Analytics — A way to provide insights into questions like:



“Which customers are likely to be **late in payments?**”



“What will **cash flow** look like in six months?”

Sadly, 36% of respondents in [Auditoria's 2020 survey — Automation in ERP and the Finance Back Office](#) — said they didn't use any form of recommendation analytics, and just 16% said they used manual labor to gain key business insights.





The reason why a company isn't using recommendation analytics is because there are several components necessary to do so.

They are:



A **rich data set** that provides historical and statistical insights



Analytical algorithms that harness cutting edge predictions and recommendations



AI applications that bring in automation at scale



Modern computer infrastructure to support the **analytical and derivative calculations** in a highly performant manner



Human intelligence that provides the uplift when combined with machine intelligence

In the current climate, when so many business patterns have been disrupted because of the coronavirus pandemic, it's more important than ever for organizations to have sharper insights into receivables. The unfortunate reality is that certain verticals — restaurants, travel and hospitality — have been severely affected by the pandemic. By using recommendation analytics, a company can combine the collection patterns of its clients with industry trends to gain insight into which ones will be late with payments and for how long.

Having this knowledge allows a company to quickly determine the financial effect of a particular client and then be proactive. This could mean offering incentives, such as an extended contract in return for delayed payment, or converting the client over to a payment plan. "This is the kind of approach that brings intelligence into the mix and augments the human operator," Gupta said. Going through this process manually — as many finance back offices still do — requires assembling data in one place and then reviewing historical trends in payments and collection schedules to determine the right incentives. "It becomes a multiweek, and in some cases a multi-month, effort, and CFOs simply don't have that kind of time these days," he added.

Auditoria's SmartFlow Skills is software that is finance- and accounting-intelligent. It's been built for these verticals and runs in the cloud — meaning there's nothing to implement. "All we need is a connection to a company's ERP system and email and it's up and running," Gupta said.



Audit Readiness

Compressed deadlines and a lack of data are two major challenges that continue to frustrate internal audit teams. The ability to be GAAP-compliant is often hampered by an inability to locate and collect the supporting data needed from inside and outside the company. Without this, an organization risks failing an audit.

The other challenge is the tremendous growth in compliance requirements and regulations. Starting with Y2K in 2000 and running through the financial crisis of 2008, companies have been responsible for proving they are compliant on a whole host of regulations, including Sarbanes-Oxley and the Dodd-Frank Act.

The upshot: Companies optimize for operational efficiency and regulatory compliance when they should focus on revenue and growth. Of course, compliance and efficiency are important. But to the extent that budgets and resources are spent in these areas, rather than in the places that can lead to revenue growth and market expansion, means companies miss out on valuable opportunities.



Companies need to flip the pyramid. Focus on your brand, your purpose and mission. The items on the operational-efficiency and regulatory-compliance end have to be automated. If you're not doing that, your best people are working on the lowest-value areas of the company."

R "Ray" Wang, Founder, Constellation Research



In fact, using a digital twin—an AI-powered automation tool like Auditoria, for instance—enables a company to perform tasks and communicate with stakeholders in the same way an actual person would. A company can understand requests and predict and forecast trends accurately and easily, thereby saving time and money. And by using modern, AI-powered technologies, such as machine learning and natural-language processing, companies can approach audits more efficiently and accurately. The ability to read, match, store and process data faster and more comprehensively means that organizations are completing audits faster than they would with more traditional people-based techniques. This makes a company more audit-ready, reducing time spent and streamlining costs.



DID YOU KNOW ...

A recent KPMG study found that **94%** of executives said advanced technologies promoted the quality of the audit. A further **74%** of executives said external auditors used advanced technologies in their audit.

Summary

The finance back office is a critical part of any organization, yet it often gets left behind as companies invest in automation and advanced technologies, such as artificial intelligence and machine learning. Very few back-office processes are currently automated, and that includes the most manual tasks of all — accounts payable and accounts receivable. AI-powered automation can not only transform the finance back office, and allow CFOs to harness the data and processes with their ERP system to work smarter, but it also enables business continuity and resiliency. This applies to repetitive processes, large-volume processes, those that are time-sensitive and, ultimately, complex processes that are beyond what an individual or even a team can reasonably handle. Using AI-powered automation can allow finance teams to regain, on average, eight hours per month, per employee. Organizations can get more done and can reap the benefits of running an intelligent digital automation platform.





AUDITORIA

Founded in 2019, Auditoria is a provider of AI-driven automation for finance teams, based in Santa Clara, California, and backed by Neotribe Ventures, Engineering Capital, B Capital Group and Firebolt Ventures. Its flagship offering, Auditoria SmartFlow Skills, leverages natural-language processing, artificial intelligence and machine learning to remove friction and repetition, automate finance back-office business processes, and deliver cutting-edge, real-time predictive analytics to enterprise finance and accounting teams.

Learn more about Auditoria by visiting [Auditoria.ai](https://auditoria.ai).

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