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CASE STUDY

CLOSING THE BOOKS VIRTUALLY — AN INFOSYS CASE STUDY

The COVID-19 pandemic disrupted businesses worldwide, but for Infosys, the timing created additional challenges. Worldwide lockdowns arrived just as the company was closing the books on the fiscal quarter and the year. The finance team never considered performing this collaborative and sensitive work from home, but almost overnight it became a necessity.

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The weeks leading up to April 20 should have been hectic but predictable at Infosys. End-of-the-quarter deadlines were intertwined with completion of the audited annual financial statement — a yearly ritual with thousands of moving parts and a need for heightened security. The books needed to be closed for the quarter and for the year.

Much like the rest of 2020, nothing was predictable about the rush to meet these international regulatory deadlines. Just as hundreds of Infosys employees ramped up for one of the busiest stretches of the year, the world changed. There was little time to plan and even less time to pivot.

The tightly choreographed efforts each spring are particularly difficult, requiring precise collaboration and communication while navigating a complex web of international rules and laws. This time, the Infosys finance team also had days to move out of their offices, supported more than 200,000 employees as they did the same, and closed the books virtually. All this was done in an environment that was changing daily. Imagine performing an Olympic-level gymnastics routine while the ground underneath is shifting.

A worldwide lockdown

The World Health Organization declared COVID-19 to be a pandemic on March 11, a decision that triggered government responses worldwide. By then, India had fewer than 200 COVID-19 cases nationally, but it was clear to public health officials that this was just the start.

On March 20, a month before Infosys' financials were released, India's Prime Minister, Narendra Modi, addressed the nation. He requested that residents observe a public curfew on the next Monday. Many saw this as the government's way to check the public mood and the readiness of the executive machinery to handle a national lockdown.

Infosys executives by then had anticipated the inevitable closure of their Bangalore headquarters and campuses nationwide. Half the finance team was already working from home that week, getting ready to prepare the stand-alone and consolidated full-fledged financials as required by Indian Accounting Standards and the International Financial Reporting Standards (IFRS). In a three-week sprint, Infosys executives and staff had to complete an already challenging task and do that from home, a feat never before considered.

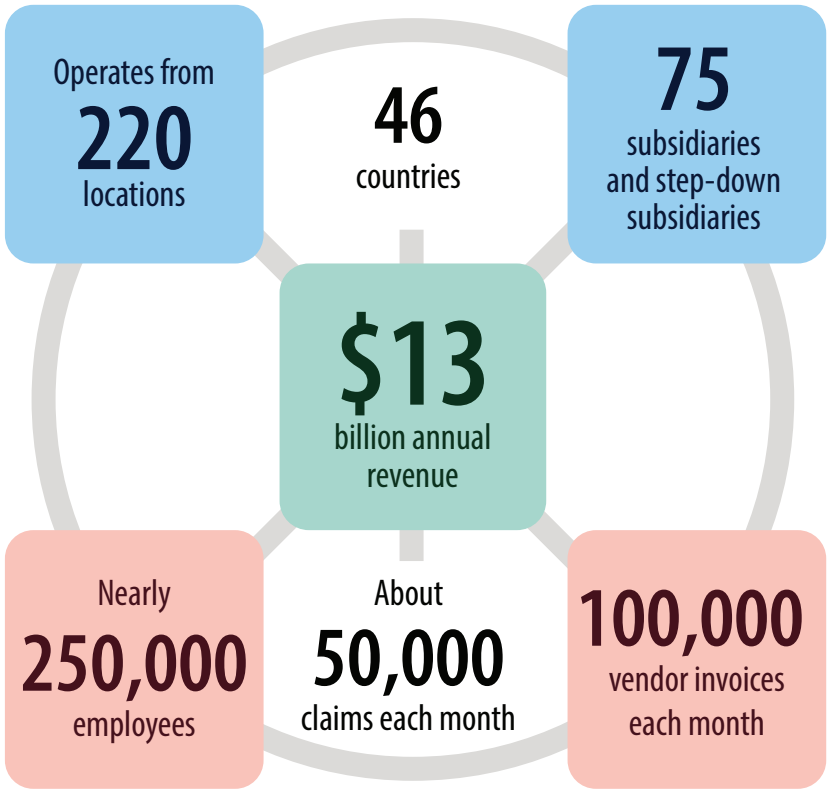
Besides the internal financial, human resources, and IT teams, Infosys worked with two sets of auditors: Deloitte (statutory) and EY (internal). The fiscal year-end paperwork also included filings to the U.S. Securities and Exchange Commission, compliance with the U.S. Sarbanes-Oxley Act, and India's annual reporting that goes to more than one million stakeholders.

The Securities and Exchange Board of India agreed to provide companies a filing extension for their quarterly results, an acknowledgment of the difficulty of navigating this crisis. For many businesses, their financial year continues until the end of December, which gave them months to plan for that even larger task. Petroleum major Chevron performed dry runs to prepare for the year-end closing process, according to The Wall Street Journal.

While many of its peer companies decided to present condensed financials, Infosys decided to release its full results in the spring, just as it had done for every other deadline.

Meanwhile, the rest of the financial machinery had to continue uninterrupted. Infosys, a leading consulting, outsourcing, technology, and digital services company, operates

Infosys' global reach and challenges



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from 220 locations in 46 countries. The $13 billion a year company also has 75 subsidiaries and step-down subsidiaries that needed to finalize transactions and close their books. Each had to account for varying levels of lockdowns and different accounting standards and time zones. Day-to-day financial operations include payroll for nearly 250,000 employees, settling nearly 50,000 claims a month, and processing nearly 100,000 vendor invoices each month.

Closing the books virtually would be possible but far from easy. The concerns that needed to be addressed seemed endless. The potential and actual hurdles included:

- Delays in executing contract documents promptly as companies adjusted to the work-from-home model.
- An increase in unbilled revenue, particularly in cases that required a client signoff for effort or milestone confirmation.
- Cases where an Infosys team member was unavailable to confirm effort and milestones.
- Difficulties convincing clients to allow associates to work from home, especially for clients that handle sensitive and confidential information.
- The need to create additional financial provisions for service level agreements (SLA) in cases where the original SLAs were missed due to COVID-19.
- Managing overall logistics (equipment, connectivity, security) for auditors and the finance team forced to leave their offices.

Finance leadership created two task forces to manage this rapid response. One examined the business-side actions, such as recommending policy changes and documenting and obtaining approvals for process changes. The second looked at the logistics of managing the more than 400 core finance employees and more than 600 business process management (BPM) employees involved in this effort.

Something as basic as computer access was suddenly a problem. About 90% of Infosys BPM employees did not have laptops. And the staff of many external partners worked in the office on desktops as a data security precaution.

Infosys' business continuity plans provided a good starting point, but the teams quickly realized that the impending disaster was more widespread than they could have expected. The plans prepared for everything from building-level to city-level lockdowns. However, there were no procedures that anticipated what would happen if much of the world shut down. The teams had to go back to the drawing board and question everything.

The business-side task force worked with senior management and the board to obtain exception approvals. The logistics taskforce created detailed contingency plans for closing the books, getting the financials audited, and announcing the results. That team also worked on strategies ensuring that financial operations continued seamlessly if the lockdown was extended.

Business continuity team

Many Infosys consultants and sales employees already worked from home far more often than they worked in the office. But that sort of schedule was never feasible for many in business operations.

The business continuity team needed to get board approval to execute investments and foreign exchange transactions from home. Usually that work required the use of a secure communications line and enhanced controls, such as host-to-host connectivity and audio recording of the trade confirmation over dedicated lines.

The team had to decide how to accept email approvals from clients in lieu of signed contracts. New policies were required to authorize work-from-home expenses for employees worldwide. In some cases, Infosys needed to pay for internet service, routers, or other equipment.

Additional protocols had to be implemented for the finance team. Actions as basic as scanning vendor invoices that were delivered to the company's corporate office had to be reimagined, as did other maker-checked controls embedded into the company's core financial systems.

Logistics team

Much of Infosys' infrastructure was built for the back office rather than the back bedroom. The transition wasn't as simple as sending employees home with a laptop computer. Many used desktops at one of the massive campuses and never had the option of working remotely.

The team had to harden the desktop computers and buy Wi-Fi adapters for many of the machines. The standard desktop computers connected to the internet via Ethernet cables and had never needed Wi-Fi capabilities. Uninterruptible power supplies were required in some cases to protect against damage from sudden electricity surges or outages.

Likewise, the audit teams had conducted much of their work from Infosys offices. This was needed for two reasons. First, much of their data analysis had to be carried out on Infosys-provided desktops. And second, their process walkthroughs and evidence collection generally happened while sitting across the table from Infosys finance team

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members. With the finance team working from home, each member of the audit team had to have an Infosys desktop or laptop capable of connecting to the corporate network and systems.

The team also set up an enhanced IT support desk for finance employees in case they faced problems while connecting from home.

Confidential data

All these actions allowed the teams to create a new version of business as usual. However, there were still questions about whether they could publish the fully audited financials virtually.

They critically analyzed all the financial closure activities to determine what could be done remotely and what required in-person collaboration. Their conclusion was that more than 90% of the work could be accomplished outside the office.

In some cases, there was no way to avoid sending employees back to a campus. The main reason was to protect unpublished price-sensitive information. A couple of plug entries — or placeholders — were created to safeguard against leakage of that confidential data. Those were removed five days before the consolidation of the results was completed. A small number of auditors and a few members from the finance team were required to work on the Infosys campus for the final few days.

A living enterprise

Infosys didn't plan for the worst pandemic in a century. However, the company did start restructuring its approach in recent years to become more resilient. The Live Enterprise strategy was designed to make Infosys able to weather shifting landscapes and situations, much like living organisms evolve to adapt to changing environments.

In this strategy, activities were modularized while still keeping the big picture in focus. The approach had matured and spread throughout the company. Live Enterprise was successful in the best of times. But this past spring, the worst of times put this strategy to a new, harsher series of tests.

By spring 2020, Infosys finance had already been transformed by the Live Enterprise strategy. Robots handle 60% of Infosys' 60,000 monthly invoices, without any human touch. That saves hundreds of staff hours every quarter. That level of automation was crucial when the pandemic struck; the closing process involves more than 400 unique activities with 16 interim milestones (Figure 1). This increased automation was started by Infosys' former CFO M.D. Ranganath and his deputy Jayesh Sanghrajka, and then continued by current CFO Nilanjan Roy.

The effort runs like a well-rehearsed orchestra, with multiple systems and

Figure 1. Infosys' 2020 financial closing process

Shared services team	Corporate finance team
• Billing closure • Payroll closure • Expenses and provisions • Employee cost allocations and posting • Revenue closure, including critical judgments for revenue recognition • Collections and accounting	• Assessment of the COVID-19 impact to financials, especially in areas where judgment can be exercised • Assessment of impairment on investments, goodwill, and sensitivity analysis • Segment reporting • Book closure activities • Expected credit loss models for receivables and unbilled • Business planning and consolidation
Shared services team	**Corporate finance team**
• Intercompany billing closure (about 75 separate legal entities) • Tax provisions for 56 plus countries • Treasury closure • Capitalization	• Verification • Preparation of schedules for review purposes • Audit closure, including discussions on additional work required by COVID-19 • Preparation of financial statements for the quarter and year under IndAS and IFRS

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teams closely coordinating. The only difference is that there is no conductor, only a closure dashboard that provides status updates and escalation if needed.

> Infosys' Live Enterprise strategy has been helping the company become more resilient and adapt to changing business environment

The dashboard was among the technology projects and initiatives undertaken to make Infosys finance more effective and balance tactical and strategic initiatives. The finance teams on the ground are always looking for tactical automation opportunities that help solve their immediate problems. The senior management, on the other hand, is seeking more analytics and insights. Infosys' financial leadership identified four imperatives needed to transform the finance teams. The new framework helped satisfy both sides.

Effort efficiency

The automation of repetitive, effort-intensive, and error-prone activities provides significant savings when they are first implemented. But the added gains diminish as automation replaces more of the manual activities. However, automation offers benefits beyond reduced headcount. There have been many other reasons to continue investing in automation, including:

- Faster turnarounds in important process areas.
- Eliminating human error and the cost of repeating work.
- Reducing fraud risk.
- Reducing time needed to ramp up and ramp down operations.
- Lowering overdependence on a single individual or small group.

The benefits are significant, particularly when used on a large scale. Infosys has 40,000 client projects running at any moment as well as 600,000 invoices, 700,000 vendor invoices, and 650,000 employee claims annually.

Process efficiency

Often, the throughput and turnaround time of certain processes are more important than the effort savings. There was team pride in publishing quarterly results or closing audits faster, clearing claims in two days rather than seven, and straight through processing of 40% of employee claims. The advanced IT systems and highly optimized processes also reduced the turnaround time for vendor payments from 21 days to seven days. All this was achieved without sacrificing compliance.

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Business insights

Data is indeed the new currency, but it's only as valuable as the insights it unlocks. Shifting from Excel to analytical and data visualization tools, such as Microsoft Power BI or Tableau, are no longer nice-to-have options but crucial for finance teams. It allows them to rely less on IT and make faster decisions based on insights drawn from the data.

Like many, the Infosys finance team relied heavily on Excel-based reporting until 2018. However, that was increasingly infeasible with the size and complexity of the data, number of metrics monitored, and demand for faster turnaround times.

The desktop-version of Power BI provided immediate relief since it works efficiently with data measured in gigabytes (Excel starts creaking beyond 40MB of data). However, that was only the start.

> Infosys' FinHub helped create a company-level performance management dashboard capable of measuring over 20 key process areas and 200-plus data points

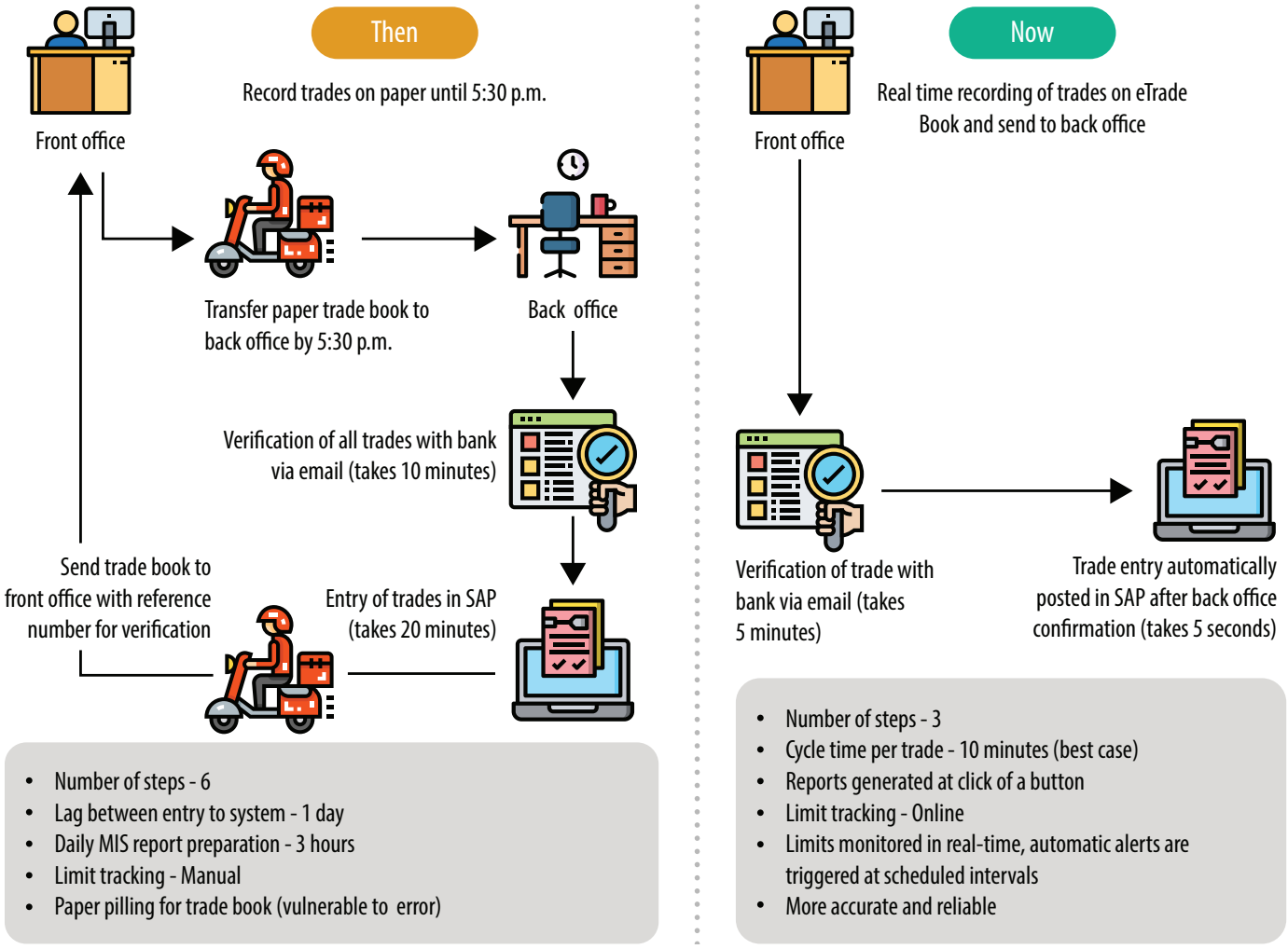
Infosys created a FinHub that contains cubes from various process areas, including revenue, payables, staffing, and expenses. That led to the creation of a company-level performance management dashboard that measures the pulse of more than 20 key process areas and 200-plus data points across a dozen systems.

Various finance teams were able to create their own dashboards that are directly linked to FinHub cubes. Rather than constantly seeking new reports from the IT department, the finance team can look directly at interactive charts.

Compliance

Compliance is often time-consuming and costly, but some of the burden can be offset by automation. For

Figure 2. Foreign exchange trades, then and now



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example, IT general-controls testing was previously a once-a-year exercise at Infosys. This effort required coordination among internal audit, IT, and business teams. Each application needed two to three weeks for testing. When Infosys automated that process, the internal audit teams were able to reduce the amount of time required by at least 90%. That also allowed for audit on demand rather than limiting those audits to once a year.

Foreign exchange is another area where swapping the manual processes for automation offers benefits. Infosys deals with $12 billion worth of foreign currency exchanges annually — more than 2,000 transactions at 20-plus banks. A variety of complicated hedging instruments add another layer of complexity. Digitizing the foreign exchange process at Infosys has eliminated manual intervention and reduced operations steps by half. Management information system reports are available immediately rather than a day later.

The new solution — built from the ground up — has moved Infosys controls from detective to preventive. Now, the internal audit team can focus on assurance and improvement rather than spending precious time only checking compliance.

Workforce resilience

The transition from office to home was a necessary reaction to a rapidly evolving emergency, but the impact will likely endure. Fewer employees will return to the office post-pandemic, although projections are still elusive. Whether it's 30% or 70% will depend greatly on corporate culture and technological maturity. However, the long-term concerns of productivity and effectiveness will remain. Organizations that insist on increased monitoring of work or demand a return to standard office schedules might end up winning the battle but losing the war.

For large organizations, much will depend on how clients and partners respond to this new view of the workplace. Some executives might not feel comfortable allowing work outside of the office, leading to a return to the old ways. Still, other units and departments will move toward this new way of working.

The varying levels of remote working will create additional costs — particularly related to cybersecurity — but also save money on office space, travel, and other areas. However, the greatest benefits are the ones that can't be projected ahead of time — the ability to react quickly and decisively to upheavals that weren't on the calendar.

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