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ROBOTIC PROCESS AUTOMATION (RPA)

PAGE 2

ACCOUNTING FOR THE 21ST CENTURY

PAGE 3

AUTOMATING THE ORGANISATION'S PROCESS MANAGEMENT

PAGE 5

EDITORIAL



Dear Readers, I would like to take this opportunity to make several announcements: our colleagues, **IT consultancy specialists, are currently celebrating 20 years under the brand name BDO.** As of 1 June 2020, its name has changed from **BDO IT a.s. to BDO Digital a.s.**, mainly in connection with the arrival of a strong team that specialises in robotics and digitisation. The role of IT consultants is changing. It is crucial to think about how technology can benefit a company's business, combining technological knowledge with experience in business or a particular sector. **Whatever doubts may have remained about the need for digital transformation for a successful and long-lasting business have been silenced by the coronavirus pandemic.** At a time when we were – and in some areas still are – dependent on remote access, technology-based operation is the only way to continue doing business. You are either digital or you do not exist at all. The concept of corporate digitalisation is not new, but the current situation has accelerated its rise in many fields. Businesses that embraced technology and implemented changes before the pandemic began are now able to outperform their less agile

competitors.

Technology is all around us and is constantly changing the way we live and work.

For companies to remain competitive, they must reflect these changes in behaviour and respond to emerging customer requirements.

Innovative organisations are now focusing on using data analytics to retrieve information from their customer data, continue their efforts to integrate internal and external data, and create a more comprehensive view. Many companies are also gradually robotising, automating and digitising business processes. HR, finance, purchasing, logistics and controlling are the most common areas that companies focus on from this point of view.

We are also aware of the importance of technology for business. That is why I am glad to present you a special issue of our newsletter in which we focus entirely on the technological development of companies and the opportunities it brings.

Miroslav Janděčka
Managing Partner

CONTENT

- ▶ Robotic Process Automation (RPA)
- ▶ Accounting for the 21st century
- ▶ Automating the organisation's process management
- ▶ Source code storage (escrow software)

BDO CZECH REPUBLIC

- ▶ Audit, Tax, Accounting & Payroll Advisory, IT and Valuation
- ▶ 450 specialists
- ▶ 35 Certified Tax Advisers, 30 Certified Auditors, 5 Certified Appraisers
- ▶ 6 offices in the Czech Republic

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ROBOTIC PROCESS AUTOMATION (RPA)

Terms such as robotics, automation and artificial intelligence have been appearing in connection with the so-called Fourth Industrial Revolution, known as Industry 4.0, for several years.

It refers to the current trend of digitisation and related automation of business processes, and not only in terms of production. Although automation in production has been occurring for decades, currently robotic process automation (RPA), or robotization of processes with artificial intelligence elements (RCA) is coming to the fore.

What is it all about?

Robotics is a field dealing with the design and construction of robots. Robots are machines programmed to perform a number of activities largely or completely autonomously. However, it is always a defined sequence of movements. In contrast, artificial intelligence (AI) is an IT industry that uses algorithms that can deal with perception, learning, problem-solving, language comprehension and logical reasoning. Using these algorithms, computer programs are developed to complete tasks that would otherwise require human intelligence. One of these programs is the so-called software robot, which works independently to complete a virtual task, thus mimicking a certain level of human intelligence or human work.

Robotic process automation therefore combines elements of robotics and artificial intelligence. We develop unique solutions for enterprise digitisation and process automation, including automation of routine processes, digitisation of business operations and standardisation of work procedures. We are thus transforming business activities for companies that are looking for workflow innovations and increasing employee efficiency. Today, BDO represents two leading suppliers of robotic platforms, UiPath and Automation Anywhere.

Possibilities of use and benefits of RPA

Suitable candidates for robotics are processes with clearly defined rules that are unchanging or predictable. Such processes are stable and standardised. You know how much it costs you and you can assume that your company will not do without these processes in the future. Moreover, these are repetitive and routine tasks that might unnecessarily burden your qualified employees. Automation is a suitable solution even if you are dealing with a large amount of data and operations that run outside working hours or continuously. Thanks to robotic process automation, you gain greater control over the compliance and verification of internal processes, and information will become more accurate and available in less time. The productivity of your employees will increase, because you will relieve them of routine operations and allow them to use their knowledge and creativity in solving more complex tasks. This also motivates them, because instead of spending time on boring tasks they can develop in other areas. In addition, the automated process enables continuous availability and scalability (the robot works 24 hours 7 days a week), so it is possible to enter the process at any time and modify its functionality based on your current requirements. If the same process is implemented in other entities of the company,

a higher speed of deployment is guaranteed, because the already existing basic parameters of the process can be easily copied to the production environment of the new entity and the settings adjusted according to its specifications.

Automation in practice

Every business environment is specific and every process is unique. Therefore, it is necessary to approach each customer individually and offer a comprehensive solution, including the design of a digitisation strategy, preparation of IT infrastructure and employee training. Process robotization is also a great opportunity to think about the most essential processes and their re-engineering before automation. Robotization projects are mostly initiated by business departments of companies, they are not primarily long and complex IT implementation and integration projects. In addition, process robotization has a typical payback period of 4 to 10 months and therefore has a quick and direct impact on the company's efficiency. We have already implemented our solutions in multinational companies in logistics, energy, real estate, the financial sector, investment groups and the automotive industry. Below I list the areas in which companies are currently most interested in automation.

Audit

- ▶ Verification of the status of liabilities in public registers
- ▶ Creation of confirmation letters

Finance

- ▶ Automatic issuance of invoices
- ▶ Cash pooling
- ▶ Clearing
- ▶ Generation and processing of payment orders
- ▶ VAT overview check
- ▶ VAT administration
- ▶ Transcript of received invoices
- ▶ Processing of bank statements
- ▶ Processing of incoming invoices

Back office

- ▶ Document checking in the Register of Contracts

- ▶ Verification and registration of changes in master data
- ▶ Data box management
- ▶ Creating and sending reminders
- ▶ Incoming mail processing
- ▶ Customer care

Reporting

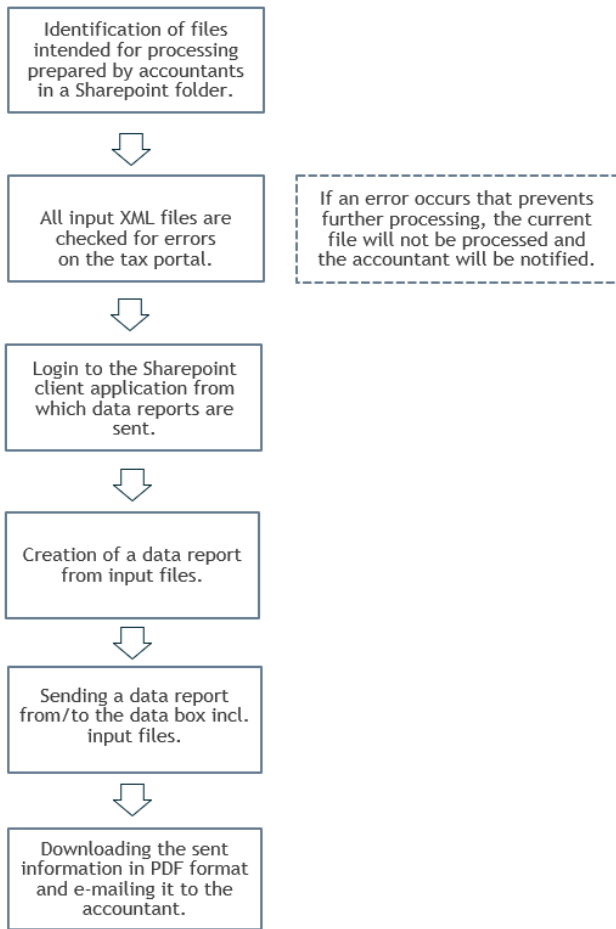
- ▶ Lease agreements and an overview of tenants
- ▶ NFD
- ▶ Receivables
- ▶ Balances, interest and interest rate developments

HR

- ▶ Onboarding
- ▶ Offboarding
- ▶ Attendance processing

For one of our clients, which has 270 entities, we created a daily process of robotized tax returns, VAT control reports and summary VAT statements to financial institutions in the form of data messages, using

the client's internal application. Let's take a look at what the resulting automated process looks like:



What has our client achieved with this solution?

The robot takes care of the process from checking the correctness of the tax return to importing the confirmation that the document was sent to the financial institution. This process runs in the background completely independently, so it does not have to be checked by an employee, who can instead engage in other activities. Another benefit of process automation is the reduction of the number of incorrectly submitted returns, as the robot checks the correctness of tax returns on the tax portal with 100% accuracy. We discovered that before automation the time needed for this process was more than 35 hours per month and required the involvement of two qualified workers. Thanks to automation, the process runs daily, which significantly reduced the length of the document filing process and saved the client the costs for these two employees. We have created a substitutable process that is not affected by outages of skilled workers.

Summary

RPA is not only a way forward, a helper and a guide in the age of digitisation, but also helps mitigate the effects of unexpected changes. The events of recent months have clearly shown how

unpredictable changes can affect the operation of otherwise stable companies. We offer automation solutions that continuously support companies and ensure an uninterrupted business flow. We help you stabilise business processes even in unstable times. Step forward with us on the path of digitisation and innovation.

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ACCOUNTING FOR THE 21ST CENTURY

Modern accounting is not the same as our grandparents knew it (writing on paper ledgers) or as our fathers remember it (formal bookkeeping on a computer, as it is still commonly done in its raw form).

In modern 21st century accounting, document entry is only one of the components of a comprehensive and flexible system of document processing in the company. The outputs from accounting then provide easy-to-understand data usable for everyday operational and long-term strategic decisions. Accounting is a huge source of information that can be transformed into a significant competitive advantage. At BDO we help our clients get the most out of accounting.

So how does 21st century accounting work?

The work that machines can do should be done by machines. No accountant wants to spend their time copying data previously created by another accountant in another company. Nor does he want to create mountains of files which are then stored all over the office. Modern accounting is part of the company's electronic document circulation system. In addition to its primary function of bookkeeping, it also provides data for verification and reporting, i.e. for management and decision-making.

So what does modern accounting look like in the 21st century? Let us illustrate this with the most common type of accounting document – the invoice received:



1. Document electronically

The invoice will arrive in your company in paper or electronic form. The first step is to unify invoice inputs into a single electronic form. Fortunately, you can elegantly do this with virtually any affordable scanner. Once all inputs are in electronic form, they are transferred to a secure storage – the BDO Portal.

BDO Portal

The BDO Portal is a specially set up and secure document repository that is shared between you and BDO. Of course, such sharing meets the requirements of the GDPR and is significantly more secure than e-mail. At the same time, thanks to the BDO Portal, you have all current

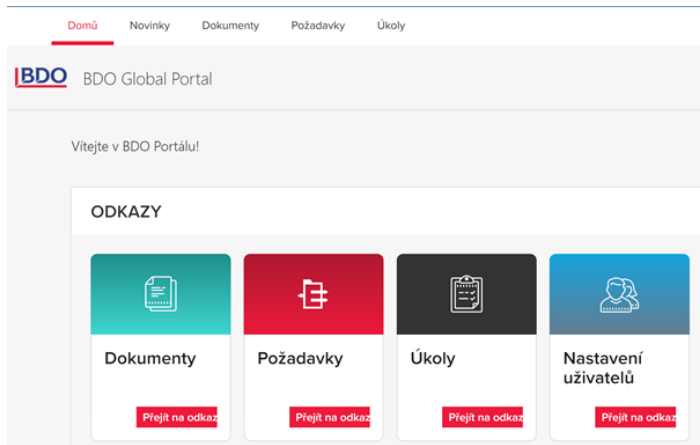
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information at your disposal with one click, so you will not miss any significant legislative change. The BDO Portal can also be used to set up term tasks or to monitor the fulfilment of structured requirements.

Document sharing itself is remarkably simple. Selected documents just need to be „dragged“ with the mouse and saved to the BDO Portal.



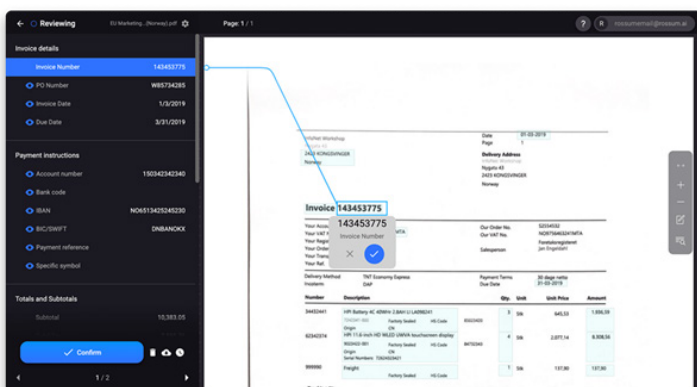
2. Extraction

All invoices uploaded to the BDO Portal can be automatically processed by artificial intelligence, which can recognise key elements of the invoice and convert them into digital data (so-called „extract“ data) with great success. Artificial intelligence can recognise, for example, the supplier, its VAT number, bank account, date of taxable supply, date of issue of the invoice, amounts on the invoice, VAT breakdown, etc.

At the same time, artificial intelligence takes into account the very important psychological aspect of gaining trust in this tool. Not only does it obtain data, but it also clearly emphasises the field from which it draws this data directly on the invoice for users (see the following picture). This way, any user of the system can easily verify that the artificial intelligence is working properly. Any extraction error can be easily corrected. Artificial intelligence can learn from its mistakes and gradually improve its outputs.

An alternative to data mining using artificial intelligence is to use data sent directly from the supplier. The use of the ISDOC standard, for example, corresponds to this principle. This standard ensures that the formatting of the data is consistent so that its use can be automated. Unfortunately, this standard may not always be fully supported by accounting software, and the use of automatic processing is conditioned by individual settings of the structure of the exchanged data.

Collectively, the extraction system means the end of pointless rewriting of data by accountants. The accountant should post and not overwrite the data.



Source: [Rossum](#)

3. Approval

The above procedures will be combined within an approval system that can ensure that documents are circulated, not people. No more stacks of transported documents, no more stamps, no more waiting for the signatory to return to the office. A document can be approved anytime, anywhere, and only the data it needs for approval will be displayed to the given approver.

Are you only interested in the approval of the invoice, the amount, and the appearance of the invoice itself? It's not a problem to set it up that way. All other unnecessary data at this stage will remain hidden from you, although of course they remain in the system. Approval, disapproval, commenting on the invoice has never been more accessible and no stamp is required.

Each approver may add his or her comment or divide the invoice into the centres during the approval process. By saving, the document is passed to the next approver. In addition, any change in the status of the document can be notified by e-mail.

4. Posting

The approval system accompanies the accounting process from document to document. The accounting phase of the document changes for the accountant mainly by using the documents only in digital form. Printouts of paper documents are no longer needed – all you need is a monitor. In modern accounting, the role of the accountant is changing from a „transcriber and printer“ to a „coordinator and advisor“. The accountant's mind is freed to think about the effects of individual costs and investments on corporate finances.

The accountant checks the formalities of the document in the approval system and at this stage can return incomplete documents to the previous levels of the approval process together with his or her comments. He or she works with the same data on the document, but the process is simpler. The system is intuitive and easy to use, the extracted data is automatically filled in the system. From a psychological point of view, it is huge advantage for the accountant to have the opportunity to control all stages of document processing, including the accuracy of extracted data. The accountant's main task is to complete the missing data or to modify the data proposed by the system (e.g. pre-accounting). To do this, they can, as before, use the document copy function, which works even better than in any common accounting software. Thus, the accountant no longer uses the existing accounting software for routine accounting. Instead, he or she now has the time to consider the impact of individual costs and investments on corporate finance as a whole and on taxes.

Existing accounting system

Data from the approval system is loaded into the accounting system automatically. The current accounting system is still used to prepare financial accounting outputs according to the legal requirements, such as tax return forms and financial statements.

5. Reporting

The accountant's work process is followed by work with data from the company's management, which uses online data from the company's accounting system. Here we see another great benefit of modern accounting – the achievement of effective management through a reporting system that is simple enough to use, but at the same time offers sophisticated outputs according to specific needs and the requirements of different levels of management. The reporting system includes a set of tools that allows users to independently analyse and visualise data, creating individualised reports.



Source: Microsoft.

Summary

A comprehensive document processing system from the BDO portal through approval to online reporting fulfils the vision of a system that is simple, secure, efficient and accessible from anywhere. Join us to open the gateway to 21st century accounting.

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AUTOMATING THE ORGANISATION'S PROCESS MANAGEMENT

The purposeful functioning of a modern organisation is largely directly proportional to the efficiency of business processes and their flexibility. Properly set up and high-quality business processes are one of the basic prerequisites for success in the market.

Today, every company must deal with a number of processes: circulation of accounting documents, approval of purchase requisitions, billing of expenses, orders and contracts, complaints or grievances, approval of projects and investment projects, customer requirements, onboarding of employees, approval of business trips, training or vacation.

Often these processes run in paper form due to old habits or are part of existing information systems (IS), where any modification is a time-consuming and resource-intensive intervention. **These processes are often lengthy and administratively demanding and it is frequently difficult to monitor the current stage of the process or who is to blame for a late approval.** An audit trail to retrospectively evaluate the effectiveness of a given process or to verify it is often just a dream. But this does not have to be the case! Properly set up and managed modern technologies provide solutions that can support the digital transformation of companies, speed up processes, reduce costs and create a user-friendly environment regardless of the heterogeneous database of existing IS in the organisation.

What are the options for process automation?

Based on our years of experience auditing business processes and in relation to customer requirements in the field of process automation, we decided to become a partner of the universal process platform K2 from 2016, which is able to bridge the shortcomings or limitations of existing systems (ERP, HR, CRM, SRM, etc.) in terms of process management and workflow.

The K2 platform (from the American company SourceCode) is a solution used globally by large multinational companies, but also by many domestic companies in a



number of industries. The system is suitable for a company with ten or a thousand users. Its main advantage is versatility, i.e. the ability to work with data from almost any system without the need for programming and the possibility of integration with common application interfaces (APIs).

How can we effectively automate business processes?

Through a suitably selected process platform, you can streamline all business processes overall. Specifically, it is the management of the circulation of information (data) from their acquisition through approval to linking to defined activities in the organisation's existing systems. The platform will enable not only the assignment of individual tasks to the relevant employees, but also communication with other corporate information systems.

Another great advantage of this platform is full integration into all major platforms for software process robotization (RPA). As part of your own processes, activities can easily jump from human power to the robot and back without complicated integrations. Another advantage is the possibility to solve individual processes and workflows not only on a computer, but also on a tablet or mobile phone, for example on the way to work or to the airport.

In the case of company processes, the issue of security and protection of company information is also extremely important. By not distributing data, documents or forms in an insecure environment such as e-mail, public repositories for storing and exchanging documents, etc., information security is also increased.

So what are the main benefits of using the K2 platform?

- ▶ Process platform without the need for programming
- ▶ Fast implementation of the first processes, easy adoption of this technology by employees
- ▶ Reusable integrations for most IS (even local manufacturers)
- ▶ Secure configuration
- ▶ Real-time data usage
- ▶ Acceleration of processes
- ▶ Auditability of processes
- ▶ Possibility of local or Cloud installation
- ▶ Price of process automation lower than in most common IS



In our experience, K2 is the ideal solution for the next step in digitising the functioning of your company without the need for massive investments and lengthy implementation projects. It elegantly bridges the shortcomings of existing IS, their rigidity or obsolescence. **It is advisable to start with smaller, simpler processes and gradually automate even more complex processes, which will often require optimisation before the actual digitisation.** Thus, you will often not only achieve the desired automation, but also break old habits in your company's processes.

We have dozens of business process automation solutions in a number of industries as well as in-depth knowledge of the corporate IT environment, including security requirements. We are ready to discuss the necessary features suitable for process automation directly in your organisation and together with you find suitable connections for the automation and robotization of processes.

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SOURCE CODE STORAGE (ESCROW SOFTWARE)

Are you planning to deploy a new information system?
 Are you going to invest in expanding an existing solution?
 Are you worried about the limited lifespan of software? Are you looking to ensure the long-term development of the acquired information system? Do you lack the security of long-term support? Are you worried about depending on the supplier of your information system? If you answered yes to one of the previous questions, then you should be interested in the source code storage service.

Your investment in information systems and the availability of your data are entirely dependent on the functioning and cooperation of the developers of your information systems. Only with access to complete source codes can you provide technical support and long-term development of the information system. And this is the basic function of the so-called escrow software: secure storage of code and its release after meeting the conditions defined in the contract between the software manufacturer, the customer and the escrow agent. Put simply, escrow software can be compared to property insurance, through which you insure your IT investments and your company's data.

Source code storage is a traditional and commonly used service abroad (today over 90% of Fortune 500 companies use source code storage for their information systems). But it is a relatively little-known institute in the Czech Republic. Source code storage is also a common part of projects funded by European grants, in cases of support for beginning developers, for critical information systems (e.g. banking and hospital information systems).

Investment risk

In general, the main benefit of deploying an information system is to increase the efficiency of business processes and the functioning of the company. The intensity of your expectations is directly proportional to the amount of money spent, which from a certain amount creates a legitimate fear of return. Discontinuity of information system development and support is the strongest risk to the return on investment in its acquisition and implementation, and in the case of significant and critical information systems can jeopardise the very operation of the company and access to its data. The most common cause is non-compliance with the support contract, the terms of which are often dictated by the software vendor, who is usually well aware that you as a user have only very limited options to replace its solution with another. The demise of the software supplier is also a very real threat of the unplanned termination of support and further development of the supplied information system.

Source code requirement

Eliminating the above-described risks consists in safeguarding the continued development and support of the information system in case of a problem with its supplier, and thus in cases where it is a significant or critical information system from the customer's point of view, ensuring „business continuity“ and the running of the company. This can only be ensured through access to the complete source codes and documentation of the relevant information system. Only in this way can the investor/user be sure that it will secure further development and support with the help of a third party if the supplier is unable to meet its obligations. Source code is the designation of a computer program in a readable and editable form. If you need to modify or develop a computer program, you can make changes in the source code that are not otherwise possible.

Technical support and long-term development of the information system or the possibility of another supplier taking over the administration and maintenance of the information system can

be ensured only with access to complete source codes.

In most cases, the source code is not part of the delivery of the information system, because from its content it is possible to read all the supplier's technological know-how, whose importance far exceeds the value of the finished functional application, but also the security elements of the information system. The cost of providing source code exclusivity can therefore be several times that of the software. If the supplier plans to use the information system supplied by it for other customers, the release of source codes would open the door to the competition and present a huge security risk for all users of the information system.

Solution: software escrow

The essence of the service lies in the secure storage of application source code with an independent party (the escrow agent) based on a conditional tripartite agreement between the user, the software supplier and the escrow agent. Upon fulfilment of the agreed conditions (termination of the supplier, breach of SLA, etc.), the contract entitles the escrow agent to issue source codes to the user in order to continue to support and develop software with another partner.

It is therefore not just a matter of storing a copy of the code, which the software creator does not control, with the customer, but **a comprehensive service providing the necessary legal actions associated with the keeping in escrow (not just storing) of the source code** and its eventual release under predetermined conditions.

The escrow process

Let's take a look at the phases of our secure software escrow service.

1. Consultation of contractual relations

We will provide legal advice on new or existing software development and maintenance agreements and design a suitable software escrow agreement (source code escrow agreement).

2. Creating inventory

We will prepare and approve with you a list of essentials for full maintenance and operation (source codes, development environment, system components). Quality inventory is the basic building block of escrow software.

3. Basic verification or audit of escrow content

Without the need to read the contents of the source code files, we will verify that the stored material corresponds to the inventory or we will audit the contents of the escrow according to the agreed scope.

4. Issuance of source codes

After verifying that the conditions for issuing the escrow have been met, you will receive an encrypted package and decrypt it with a private key.

By using a secure version of the escrow software, we eliminate the risk of source code disclosure during the entire escrow process.

More options for verifying your software

As is clear from the previous paragraphs, the basic function of the escrow software is to securely store the code and release it after fulfilling the conditions defined in the contract between the software vendor, the user and the escrow agent. However, before taking the code into storage, it is advisable to check that it does not contain security risks and that it can actually be converted into a machine-readable form. We regularly provide such verification to clients who use escrow software with us.

Audit of the escrow content

The audit of the escrow content significantly increases its usability and the efficiency of the procedure for issuing the escrow in defined situations. A baseline audit should be performed whenever accepting

something into escrow. The level of the audit can be chosen with regard to the importance of the software for the users. It can greatly simplify the work of both the supplier and the user in the process of software implementation.

The source code audit includes the following activities:

- ▶ inventory of files in escrow and verification of their integrity
- ▶ identification of tools for maintaining and compiling source code
- ▶ compilation of the product and creation of executable files
- ▶ verification of installation options and application settings
- ▶ basic functional testing of the application
- ▶ confirmation of the validity of the source codes

Escrow software solution with BDO Digital

We have a 10-year tradition of providing source code escrow services and are the only dedicated provider of these services in the Czech Republic. Our specialised team and Deponest, which provides the escrow software service, is a worldwide accredited entity for Microsoft programs.

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