Point of View

Automated Reconciliation Is a Stepping Stone to the Digital Financial Future

In today's world of rapid innovation, almost all industries are undergoing some degree of digital transformation, including the transformation of financial processes. Due to their very nature, it is not always practical to leap directly to a full digital overhaul of these processes, but this is not an all or nothing situation. Organizations can benefit significantly by identifying specific areas in which to cut inefficiencies and streamline workflows. One such area is reconciliation. Automating this time-consuming and error-prone process can make a significant impact on the bottom line and reduce the risk of compliance misses and mistakes.

Getting the Numbers Right

For organizations with millions of transactions, closing the books is no easy feat. Quarterly, half-year and annual financial reports – along with other forms required by regulatory agencies – keep the accounting team working to meet deadlines year-round.

Financial statements face external scrutiny from regulatory agencies in every country in which the company operates. Additionally, there are shareholders, boards of directors and in-house audit and compliance teams analyzing the numbers.

There is great pressure to avoid mistakes, and no one feels that pressure quite like the CFO who signs off on the books. By attesting to their veracity, he or she assumes a great deal of personal liability.

But manual reconciliation processes used by many companies today provide no audit trail showing how the balance sheet was derived. As a result, executives must certify the data without visibility into how the numbers were achieved. And once financial leaders sign off, there isn't an easy way to backtrack and gain visibility into the data they approved.

Without an automated process, reconciling items such as payments, disbursements, commissions and bank accounts at the transaction level is a labor-intensive and error-prone process. In addition, due to the lack of an audit trail, companies often write off unresolved exceptions because they cannot trace an error back to the source – raising the question of possible fraud.

Exacerbating the problem are the large stores of disparate data that must be taken into account during the reconciliation process. Data can come from internal departments or third parties; in the form of text files, spreadsheets or PDFs; it can involve multiple currencies; and it can refer to a payment, customer information or a myriad of other data. Different sources and different structures of data make manual reconciliation difficult.

Automated reconciliation can enable companies managing high volumes of transactions to track, match and archive all incoming data, and connect that data processing directly to certification. Reducing the risk of error could save companies thousands of dollars in noncompliance fines and protect the company's reputation among customers, peers and regulators.

Seeing the Full Picture

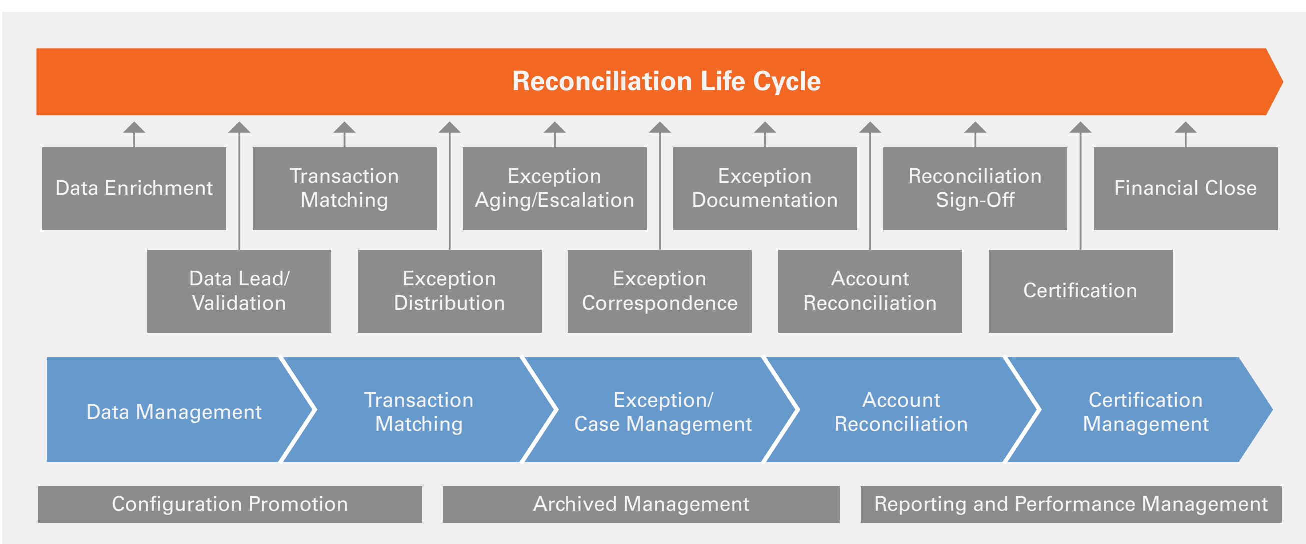
By bringing the full range of transaction-level and balance-level data together into a single system and automating the entire reconciliation process, from data acquisition and matching through period-end approvals and reviews, companies can form a complete account reconciliation picture. This enhances visibility into exceptions, helps eliminate manual interventions and facilitates rapid, cost-effective resolutions. Automated checks help ensure compliance with corporate and regulatory controls.

Centralizing data in one place and integrating automated reconciliation and certification processes allows the data to be traced to its source throughout the entire financial close cycle – from data ingestion through matching, exception management, reconciliation, certification and signoff. It becomes trackable and transparent.

Integration of data and matching transactions using an automated process can cut the risk of error by as much as 50 percent (based on results from organizations that use an end-to-end reconciliation solution). Built-in audit controls can also help ensure that regulated financial standards are met.

A centralized view of transactions and the overall reconciliation cycle also makes it easier to mitigate the risks of fraud and write-offs related to unexplained exceptions. End-to-end reconciliation automation, combined with data agnosticism, facilitates the identification and resolution of exceptions

A data-agnostic tool can pull in massive amounts of disparate data related to payment and disbursement statuses and more, and funnel it through an automated matching system to pair the right data with the right transaction. This can lead to an overall 75 percent reduction in write-offs (based on results from organizations that use an end-to-end reconciliation solution).



Increasing Efficiency and Reducing Costs

By minimizing the need for manual research or interventions during the reconciliation process, companies can achieve significant efficiency improvements and lower operational costs while enabling staff to perform more value-added work. Reducing manual tasks and implementing automated reconciliation can lead to a 60–80 percent gain in efficiency (based on results from organizations that use an automated reconciliation solution). Further, it can reduce the time it takes to close the books by two to four days.

Here are some of the potential savings:

- Reducing audit costs by 25 percent by providing electronic access to accounts and required approvals
- Eliminating document storage fees and printing costs
- Eliminating cost of compliance deadline misses and potential fines
- Reallocating staff to higher-value activities
- Reducing write-offs

In addition to realizing savings, organizations also gain greater visibility and confidence in the accuracy of financial reporting, which helps lower compliance and reputational risks.

Working Smarter, Not Harder

Finance teams have been evolving to act as strategic partners in their organizations, helping to drive business results. They should be working with tools that can do some of the number-crunching for them, allowing them to focus on the tasks that provide the most value for the bottom line, for example, exception investigations and other strategic projects such as mergers and acquisitions and transformation initiatives.

A fully automated and integrated end-to-end reconciliation solution can ease the pain of financial preparation while facilitating speed, accuracy and efficiency. It can reduce risk and positively impact the bottom line while also freeing up staff to focus their efforts on more strategic projects.

Stronger compliance, decreased costs and enhanced efficiency are the promises of digital transformation that automated reconciliation can bring to companies today.

About the Author
As the Director, Product Management, Financial Control Solutions at Fiserv, Clodagh Swennumson engages with clients across industries to understand their internal compliance, risk management and financial control needs to drive strategic innovation.

Connect With Us

For more information about automated reconciliation, call 800-872-7882, email getsolutions@fiserv.com or visit fiserv.com.

Fiserv is driving innovation in Payments, Processing Services, Risk & Compliance, Customer & Channel Management and Insights & Optimising. Our solutions help clients deliver financial services at the speed of life to enhance the way people live and work today. Visit fiserv.com to learn more.

Fiserv, Inc.
255 Fiserv Drive
Brookfield, WI 53045

800-872-7882
262-879-5322
getsolutions@fiserv.com
www.fiserv.com

463564 10/19