

# How to automate and standardize your financial reconciliation process



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# The challenges

Financial reconciliation is a boring and time consuming task. However, it has to be done regularly to comply with legislation, mitigate risks and to ensure the accuracy of financial reports.

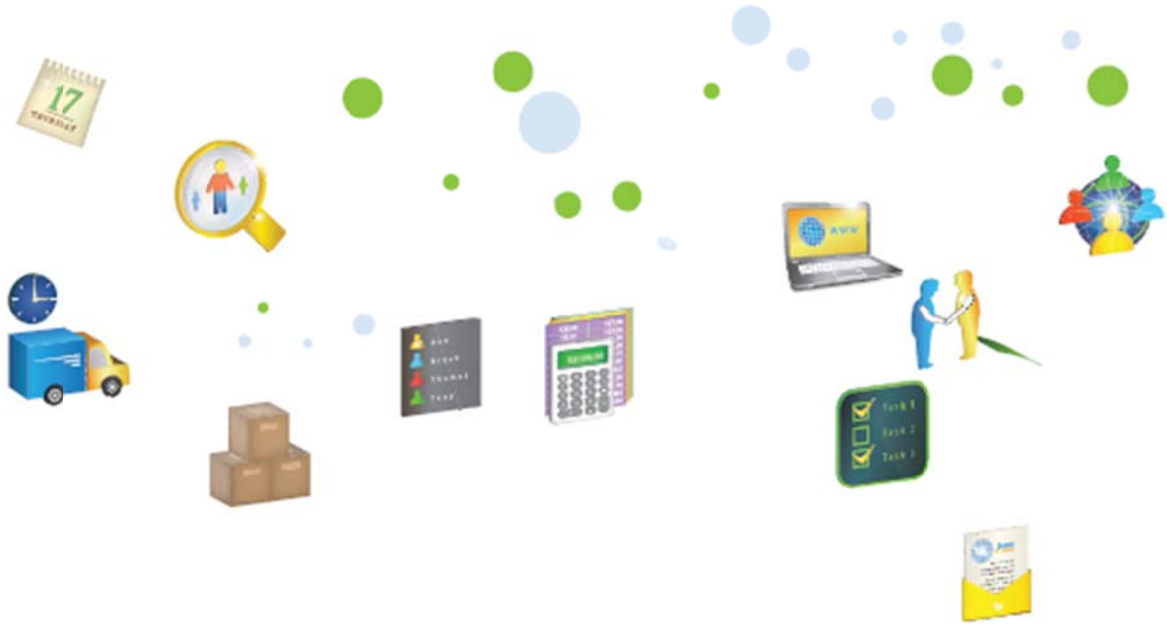
Relying on spreadsheets for financial reconciliation, results in a heavily manual process that is slow to produce numbers and often linked to key man dependency and the associated risks. No wonder why auditors, constantly remind banks of the risks associated with such financial reconciliation reporting processes.

Most of the embarrassing errors or frauds are not picked up in the press. However, some of the bigger examples tend to make a bigger impression. Such an example is Barclays who in 2007/8, through a simple spreadsheet error, were left holding \$30m more toxic Lehman Bros. assets than they expected. Further back in 2003, US mortgage giant Fannie Mae discovered a simple spreadsheet error that had led to a discrepancy of \$1.2bn and resulted in a severe drop in shareholder confidence.

“If you process an average of 100,000 daily transactions, that equates to **800-1,800 errors a day.**”



# Automation is the answer!



By automating and standardizing their financial reconciliation process, banks benefit from:

- Eliminates manual errors and frauds, whether deliberate or not
- High performance - quickly process large quantities of data
- Time efficient – freeing business users from tedious and repetitive work
- Available audit trail provides a 'single version of the truth'
- Reduced Total Cost of Ownership
- Increased quality and transparency

# V-Conn changes the game!

V-Conn is a Business Intelligence and Data Integration platform containing five data processing products, Data Profiler, Data Validation, Enterprise Meta management, business objects library, Graphical Mapping environment, Reconciliation and Audit.

An Integrated user interface parallel processing tool for EVTL, Data Management and Data Quality Framework.

It includes an embedded master and reference data management capability to ensure accurate and consistent hierarchies and dimension data when integrating from many different sources.

V-Conn business models adapt to changing requirements in hours, rather than weeks or months, typical in traditional Data Warehouses, giving business people exactly the information they need, when they need it to enable agile and faster decision making.

V-Conn's ability to deliver faster comes from our model driven automation. It serves the analytical needs of large and small organizations with the fastest time to value, making users more productive, faster and reducing internal costs. It automates much of the development , such as scheme management, data load, exception management and BI configuration.

With V-Conn you'll be able to drive key initiatives around core banking consolidation and migrations, Data Warehouse re-engineering, master data management and business driven BI projects. Unlike traditional approaches, V-Conn easily manages all change tracks automatically by enabling agile iterative approach. As a result your BI and Analytics teams get the data they need faster and take more informed decisions sooner.

# Validata Reconciliation approach

Validata's reconciliation methodology is based on automated reports as well as domain expertise of TemenosT24 system.

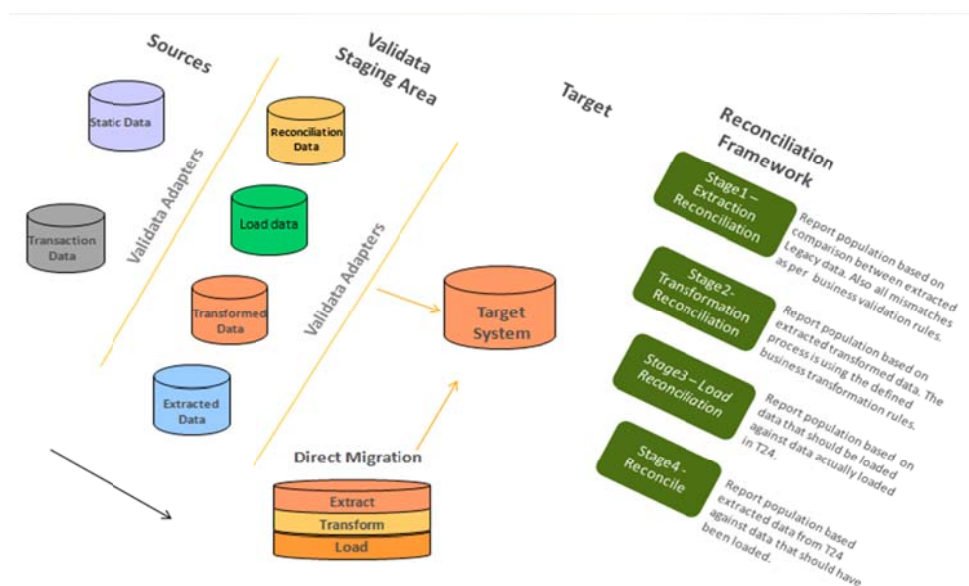
Depending on the migration strategy that is envisaged by the bank, the reconciliation process can vary as it might have to cater for additional or historical accruals, corrections of amounts that are not on legacy or even the timing where the exact balances will be available e.g. suspended interest.

For that reason, Validata's approach is flexible, robust and with no dependency on Temenos T24 as the extraction is independent. Regardless the nature or stage of a project, data Integration and/or data migration activities are required and this demands quality and fast reconciliation.

V-Conn ReconNET, financial reconciliation management solution, automates over 90% of your financial reconciliation processes, improves productivity while reducing costs and error-prone manual processes. By streamlining your workflow, you can deploy resources to other areas critical to your business.

The tool enables you to gain a single, unified governance solution, maintain visibility and management control across all reconciliation activities, and transform balance sheet reconciliations from a standalone spreadsheet-bound activity that causes delays in reporting, into a streamlined process that improves control, reduces financial risk, and assists management to accelerate the reconciliation process. It accelerates the migration process and exemption management as it:

Detects and flags issues for review



# Financial Reconciliation reporting

Firstly we extract data from both General Ledger and core banking system and provide a unique financial reconciliation between GL and core banking system. Secondly, we capture all post-month end adjustments inside V-Conn database, ensuring accountability and that all adjustments are included in relevant reports. Thirdly, as a multi-company, multi-branch and multi currency solution we support the whole consolidation process. Finally, by having a plug & play financial reporting pack automatically updated from V-Conn , we can produce the financial reconciliation reports daily and therefore reduce the time to close at month end.

Example of financial reconciliation reports:

GL Reconciliation per Contract report can be used by the Bank to prove how migration was done from a financial point of view. It shows if there are any differences and the reason why these differences were accepted. In details, it shows:

- each contract/account in which GL Line is reported – new GL Line and Legacy ones ;
- each company and branch under which this contract is reported - new and Legacy ones;
- original currency of the contract/ account- in new system and Legacy ;
- amount of the contract/ account- in original currency and local – in new system and Legacy;
- CRF key from T24- it's in order Bank to know where is reported this contract /account;
- Asset type - debit or credit as in different system asset type is with different sign

GL Profit & Loss report shows balance in local currency driven by the GL setup of the bank and its subsidiaries





# Major T24 client cuts reconciliation time by half and improves migration and financial reconciliation process

## The Business Challenge

V-Conn was successfully implemented for a major T24 core banking client in the Americas. The bank is a full service financial institution offering banking, investments, life & health insurance, pensions, and real estate services, with an outstanding history and reputation for leading innovation.

The bank was running its operations on two different core banking systems and took the decision to improve their business and migrate all to Temenos T24 and upgrade to T24 R14 release.

As part of their transformation project, the bank was looking to adopt an automated financial reconciliation solution to increase productivity, efficiency and accuracy, and as such they looking for a tool to assist them in this process. Manual reconciliation process consumed a lot of time and efforts, contained the risk of human error and could not reconcile information from two legacy systems against a third one, and produce reusable reports that could be used against future Mock Runs.

## Issues Faced

The Bank had decided to undertake the migration process on their own. However, the aggressive timeframes for implementation and migration and the lack of T24 migration experience raised the following issues:

- Business was concentrated on implementation and migration process was left to technical team
- The bank had to reconcile two legacy systems (Temenos R7 and Flexcube) to Temenos R14 and the level of complexity on financial reconciliation was high, impossible to be done manually as all the information had to be reflected based on Contract and Asset type mapping to General Ledger.
- Migration had not been given enough priority in the early stages as migration strategy and approach were not documented properly.
- Documentation was not maintained properly – all transformation rules (changed multiple times) existed only in source code - not in documents approved from the business
- Migration process was reduced to changes of transformation source code after unsuccessful load in T24
- Big issues with Financial Reconciliation between the two legacy systems and the new T24 R14 system

## The Solution

After an exhaustive selection process, the bank opted for Validata's V-Conn ReconNET, a financial reconciliation management solution, to assist them in automatically producing the financial reconciliation reports in order to achieve a quick and successful reconciliation.

V-Conn is a native T24, automated ETL validation solution, featuring smart multi-value and sub-value processing with scalable and incremental data uploads configurable and complex selection conditions and visual metadata editing. V-Conn achieves to avail the data faster than any other solution, thus enabling clients provide on-time regulatory and operational reporting.

It simplifies GL account reconciliation and balance sheet certification. It transforms balance sheet reconciliations from a standalone spreadsheet-bound activity that causes delays in reporting, into a streamlined process that improves control, reduces financial risk, enhances productivity and assists management to accelerate the reconciliation process.

## The Approach

The approach that was followed is outlined below:

- Imported meta-data model for source and target into Validata V-Conn
- Meta-data model used to develop both simple and complex mapping schemas
- Using Validata SAS unique adapter technology:
- Legacy Data was taken from legacy flat files
- Transformed and Consolidated within the Validata staging area
- Loaded Data was taken from TEMENOS T24 R14
- Reconciliation done between legacy transformed data and loaded in T24 data
- Static data was processed a week before and Transactional data within the migration weekend window

Using V-Conn, Validata were able to extract and process financial information from the GLs of both source systems, in order to produce fast and accurate reconciliation reports which provided clear comparisons and highlighted all mismatches, such as:

- Summary financial reconciliation report, reflecting all different companies individually, but also as a total (summary)
- General Ledger Asset and Liabilities financial reconciliation report for Local and Foreign currencies
- General Ledger Profit and Loss financial reconciliation report for Local and Foreign currencies
- GL Reconciliation per Contract report

The reports were generated in Excel format, easily shared and read across the different teams involved. Detailed audit within the reports indicated all mismatches and discrepancies and enabled the Bank to clear and fix all errors in mappings between the two legacy systems and T24 R14, during the process of Mock Runs.



## The Benefits

Within a month of implementing V-Conn, the bank was able to see positive results. Finance division at the Bank, was able to cut reconciliation time by half, assure timelines in reconciliation processes and improve migration and financial reconciliation reporting.

By employing V-Conn Recon NET, the Bank automated their financial reconciliation on time, on budget and with increased quality enabling the management to make a positive decision for the go-live.

- Reduced cost and effort involved in balance sheet and GL reconciliations, as well as compliance administration.
- Complete visibility into the status of reconciliations across the entire company
- Quick identification and correction of errors in mappings
- Reusability based on the pre-built reconciliation reports, slightly customized to fit the customer needs

# Contact us to get started!

For more information

visit [www.validata-software.com](http://www.validata-software.com)

or call us at **+44 020 7698 2731**

