



RECONCILIATIONS

Part 1 of 3: Reconciliation Back-testing



BizWise Consulting
...the things that matter



AN AVERAGE MATCH RATE OF 93% WAS ACHIEVED

BRIEF

A Tier 1, multinational, bank implemented a new core banking platform and cheque imaging/processing system. Within the first 10 days from implementation, this global bank experienced a significant volume and value of unallocated and unreconciled entries across **3 Cheque Clearing** suspense accounts and 12 peripheral accounts.

BizWize, with their data analytics and process engineering skills, were requested to systematically identify true exceptions across the vast set of varying data sets. This would ultimately assist the bank in clearing exceptions and effectively manage their Value At Risk (VAR)

CURRENT STATE

a. Challenges with the implementation and integration of the Cheque Clearing system into the core banking platform resulted in:

- Duplicate entries which had to be reversed out by bulk system uploads by IT.
- Bulk reversals put through the system were not correct.
- This inevitably impacted the customer, as there were multiple debits and credits on their account

b. Multiple data sets received from 3 data suppliers resulted in:

- Inability to use PDF files from government clearing house, thus one leg of the data flow could not be incorporated.
- No clear unique identifier across the 3 datasets which impacted the ability to easily match items at a transactional level.
- Data was not extracted, transformed and consolidated into a central location.

What was the
BRIEF?



The OBJECTIVES

c. There was a limited capability to perform a systematic reconciliation to track exceptions and manage potential issues daily. Thus, in a short period, the accounts in question attracted large, unreconciled balances. There was no way to detect exactly where in the process the issues (root causes) arose.

d. Accounting flows from the cheque clearing system to the core banking system changed on a frequent basis making reconciliation and back-testing difficult, as there were numerous scenarios to account for.

e. There was no readily available Management Information to effectively manage both the process and financial performance of the reconciliation.

f. There was no clear documentation on the purpose and objective of the reconciliation. There was also no financial mapping, process mapping or information flows.

OBJECTIVES

- Provide the client with the ability to systematically match out items from the data sets.
- Provide the client with a set of rules that could be applied to future incidents as well as be used to identify root causes.
- Identify unmatchable items or "True exceptions" that effectively make up the outstanding balance on the accounts.
- Provide reconciliation team with true exceptions for investigation
- Manage and provide means to effectively reduce the Value At Risk (VAR)

The SOLUTION

SOLUTION

- Understand and document the cheque clearing process with data and accounting flows to process an inward and outward cheque end-to-end. Account for the multiple scenarios and system changes.
- Gain an in-depth knowledge of all the fields contained in each report, to effectively determine data transformation and matching logic required.
- Extract, convert (PDF files into text format), transform and load all into central data architecture.
- Execute matching logic and data validation at each stage of the process.

Understand and document the cheque clearing process with data and accounting flows.

- Identify the cheques that did not proceed through each stage to highlight these as potential exceptions. (Roll-throughput-yield).
 - Identify the accounts which may have erroneous cheque transactions posted.
- Determine true exceptions that make up the outstanding account balance for the Reconciliation team to resolve and address accordingly. And, as such, remove any exceptions that can be automatically matched through the logic provided.
 - Gain an accurate reflection of the Value At Risk (VAR)



The BENEFITS

EXPECTED BENEFITS

- Automated data preparation and matching from multiple data sources significantly reduced the manual effort to identify true exception backlog. This provided capacity to focus on value-added Exception Handling Process.
- An average match rate of 93% was achieved. All “non-exceptions” were automatically stripped out and the Reconciliation Clerks worked from a list that displayed only exceptions.
- Bulk items were broken down to transactional level exceptions. This defined the actual number of exceptions and increases the accuracy of the exception information provided.
- Multiple file formats can be accepted and utilised effectively. Data transformation is performed to ensure optimal data for matching.
- The ability to test back-test large data sets over an extended period seamlessly through an automated process applying an agreed-upon logic.
- Reconciled Back to General Ledger. The solution was more than an auto-matching. It reconciled back to the General Ledger to ensure that the account is in balance and financial control was maintained.
- Significantly reduced the number exceptions and managed the Value At Risk (VAR).

Automated
data preparation
and matching
from multiple
sources

