Guide

Roadmap to account reconciliation excellence

How to identify and overcome challenges every step of the way.

AICO

The challenge of unifying the account reconciliation process

Account reconciliation involves repetitive manual work, creating bottlenecks for stakeholders, including financial controllers, shared service centre managers, business partners and auditors. This inefficiency adds stress and consumes valuable time.

Many enterprises are exploring modern automation technology to enhance efficiency, but there is still significant untapped potential for improvement.

You might be unsure how to proceed with automation and standardisation, especially when dealing with different ERP systems and Excel templates for each entity. The challenge lies in standardising reconciliation policies, regardless of ERP, to leverage automation effectively.

Your new process must also maintain compliance with your internal controls, standardising policies and managing both automated and manual tasks. Any solution must integrate seamlessly with your existing financial close process, where efficiency is most needed.

This guide will help you navigate your account reconciliation journey, providing a roadmap for achieving excellence.

Contents

1. From disparate processes to centralised standardisation

To pave the way for automation and improved efficiency, you've probably already been doing what you can to increase standardisation. However, there's only so much you can do given the varied system architecture in your corporate group.

It's time to look into centralised standardisation if you...

Don't have group-wide account reconciliation process guidelines.

You need a system that can set frequency, level of detail, and priority for specific account types.

Don't have agreed account groupings.

You could significantly shorten your workload with group-wide groupings.

Use spreadsheets to document reconciliation.

You run the risk of data entry errors and the process is slow and complex.

Case in point: Excel pitfalls

While spreadsheets remain a common tool in accounting, their limitations become evident in complex account reconciliation. Manual data entry is tedious and error-prone. Misplaced formulas or data inconsistencies lead to significant reconciliation headaches.

Challenge: Too many different systems and conventions

Even with efficient Excel templates, your team must switch between several spreadsheets on a shared drive. Meanwhile, they are also alternating between your ERP system, your online bank and email confirmations.

It's also common that each legal entity has different Excel templates, which means more work for auditors. Common differences in account reconciliation that can be standardised via system consolidation include:

- Different exchange rates across group companies.
- Different depreciation rates across group companies.
- Different reconciliation frequencies for the same account type.
- Different reconciliation priorities for the same account type.
- Different levels of detail for the same account type.
- Different policies for grouping accounts across group companies.

Managing different Excel templates and ERP systems across group entities poses significant challenges to standardisation in financial operations. This complicates audits, as auditors must handle varying rates, priorities, and levels of detail in account reconciliation across different entities.

For example, while some group companies may consolidate all VAT accounts for reconciliation, others may not. Some reconcile specific account types monthly, while others do so quarterly. Variations also extend to the level of reconciliation detail, ranging from line items to balance-level checks.

Furthermore, maintaining oversight of diverse reconciliation policies across the corporate group is challenging without a unified system. Achieving this requires consolidating data entry into a single, centralised architecture across all entities.

Solution: Centralising standardisation with a single system architecture

Account reconciliation software that can integrate with multiple ERP systems is a sure-fire way to get all your group companies on the same page. You can get everyone entering data in the same system without having to navigate numerous different windows and ways of working. This system consolidation will pave the way for taking standardisation to the next level.

Once you have everyone on the same page, it's time to dig deeper into creating standardised policies for account reconciliation. Consider when and how certain account types should be reconciled, look for synergies with account groupings like VAT and harmonise exchange rates, depreciation rates and other accounting conventions across the group to a greater degree.

2. From centralised standardisation to task automation

Now that you have taken your standardisation to the next level with a centralised system architecture and improved policies, you can finally get some real value out of automation. But where should you start and what else might be holding you back from greater efficiency and account reconciliation excellence?

It's time to look into task automation if you…

Coordinate the reconciliation process workflow by email.

This adds unnecessary extra manual tasks to the reconciliation process.

Check accounts for balance changes one by one.

You stand to make major productivity gains by automating reconciliation for accounts with zero changes.

Manually export data from your ERP system.

You can avoid complexity and bottlenecks with live ERP integration from a single interface.

Case in point: Email headaches

We've been relying on emails for so many things for such a long time that their resulting headaches and frustrations may seem unavoidable. But that doesn't have to be the case anymore if you can pinpoint where emails fall short and find a better way.

Challenge: Repetitive manual tasks

Even with standardised policies and processes, your accounting department will still waste countless hours on error-prone, manual tasks. Now that you are ready to implement automation, you need to decide where to implement it. In other words, where is the optimal balance between the most time-consuming tasks and those most amenable to automation? Use the following criteria to help you find this low-hanging fruit among tasks:

- Reconciling accounts that do not change every month.
- Making special calculations for heavily rule-based tasks like accruals.
- Manually exporting data from your ERP system.
- Manually attaching supporting evidence to reconciliations from email.

All of these tasks drain valuable time and energy from your team that could be spent on more value-adding activities. Bear in mind that what these repetitive tasks are costing you may not be immediately apparent if the costs are hiding behind salaries. Consider how much time is spent on each account reconciliation and how much of your department's budget is spent on salaries for this time.

Solution: Automating the low-hanging fruit

Around 50% to 60% of a company’s accounts remain unchanged monthly, some even changing on a quarterly, bi-annual or annual basis. Automating rules to monitor account activity and reconcile them automatically when inactive can significantly enhance efficiency.

For instance, instead of manually downloading sales data from the ERP, inputting it into Excel, and performing calculations for sales commissions, automation through ERP integration can streamline this process. Similarly, automating accrual calculations across months or linking approval emails directly to reconciliations within a unified system reduces dependency on manual email tracking and enhances efficiency.

3. From task automation to centrally governed compliance and visibility

Now that you have deployed some automation solutions such as robotic process automation (RPA) or other applications to automate tasks like reconciliations of accounts with zero activity during the period, you have probably already eliminated several inefficiencies and some of that month-end stress.

It's time to look into centrally governed compliance and visibility solutions if you…

Use email or paper-based approvals.

You can streamline approval workflows and keep track of them easier with centrally governed compliance.

Don't have agreed standards of supporting evidence.

You need a system that makes it easy to configure evidence requirements per type of account.

Can't easily verify whether high-risk accounts are reconciled on time.

You need a centralised system that gives you the visibility to track and enforce reconciliation policies.

Case in point: Lacking visibility

It's important to have process visibility so that you can easily keep track of the status of reconciliations. Without it, your team will have to ask other departments for updates, taking extra time and causing delays. This adds unnecessary stress to your team when they have to rely on others to meet their deadlines, especially if there are dependencies involved. In addition, keeping up with key changes and regulations is difficult if you don’t have an up-to-date view of reconciliation processes.

Without visibility of the entire reconciliation process, it’s difficult to measure efficiency and identify bottlenecks. Streamlining one aspect without considering the bigger picture misses valuable opportunities.

Challenge: Unknown compliance status

Without the capability to enforce specific rules that adhere to your internal controls, how will you know if they are being followed? It can hurt your department's efficiency if it takes more effort than it should to verify compliance with corporate policies. This could also make it harder to prevent and detect material misstatements and fraud. But the stakes are even higher if you are subject to stock exchange rules and regulations. And if you aren't listed today, what about in the future?

Some examples of common policies that are difficult to check for compliance without centrally governed visibility include:

- Reconcile all cash accounts by the first day of the month.
- Verify that all cash accounts have been approved on time.
- Every item open longer than 180 days must have a comment explaining why.
- Require an ERP report as supporting evidence for a specific type of account.
- Purging personal data from emails as supporting evidence.

Some group companies might attach different types of supporting evidence for an account. Additionally, auditors might be slowed down by having to look for different types of evidence in different locations for different companies.

You probably won't get a good night's sleep if you aren't able to verify that high-risk accounts have been reconciled on time. And it's hard to do that if you're relying on manual reminders, approvals and confirmations via email. Similarly, the approval process can be easily bogged down if you're overloaded with emails or even stuck waiting on paper-based approvals.

Solution: Automating internal control enforcement

With centrally governed compliance, you'll no longer have to simply hope and pray that rules are being followed as the system will automatically not let users proceed without the right type of evidence or similar parameters. By leveraging smart algorithms and defining all rules from a centralised dashboard, you can gain the flexibility to set up highly specific account reconciliation rules.

The improved visibility enables everyone involved to stay on top of exactly which reconciliations are at which stage, see exactly when it's time to take over after an RPA bot has laid the groundwork, and find the source of a bot error faster. This gives team efficiency a real boost as no-ones needs to notify each other by email when it's their turn.

4. From isolated account reconciliation to integrated financial close

To enhance account reconciliation, it's important to have a comprehensive suite of financial close solutions that provide centralised compliance, visibility, standardisation and automated task management. Unfortunately, some large, complex companies still use separate applications for account reconciliation, journal entries and closing task management. This fragmented approach can lead to delays and inefficiencies during the critical closing period.

It's time to look into better financial close integrations if you…

Use separate applications for account reconciliation and other financial close processes.

Unnecessary complexity is created by the need to switch between these systems during closing.

Manually link period-end reports with and create journals from reconciliations.

Your ERP and close process integration is not live, causing many unnecessary delays.

Can't keep track of all closing activities from a single dashboard.

Better financial close integration would significantly reduce complexity and cut lead time between tasks.

Case in point: Batch update waiting games

Many integrations rely on batch updates where data is transferred between systems at set intervals, such as once per night or when a manual update is triggered, rather than live integration. This can slow your team down and complicate their work.

Challenge: High complexity

Meeting deadlines is critical in the financial close process. Jumping between different applications, interfaces and windows adds to the stress of meeting those deadlines. Some of the factors that add unnecessary complexity and frustration are:

- The lack of automatic linking of closing tasks and related reconciliations.
- The inability to automatically create a journal entry directly from a reconciliation automatically post to the ERP.
- The inability to automatically post a journal entry from a reconciliation to the ERP and refresh reconciliation figures live.
- The inability to reconcile accounts by linking them back to the journals, which have related supporting evidence and approvals.

Does your solution have live integration with your ERP? Batch uploads force your team to switch between programs to manually update data or check if it has flowed through to other systems, wasting time.

The larger your company's system architecture, the more challenging this becomes. Managing multiple systems for account reconciliation and financial close management increases the risk of inefficiencies and errors. Not to mention stress and frustration.

Live ERP integration eliminates these roadblocks, ensuring streaming data and a smooth close process.

Solution: Tying together financial close with live integration

Live integration allows you and your team to connect all financial close tasks within a single, unified platform, enabling you to manage everything from one place:

- Centralised Control: Consolidate all your closing tasks – reconciliation, journal entries and closing management – into a single, intuitive dashboard.
- Real-Time Visibility: Live data exchange eliminates waiting for batch updates, allowing you to work with the most current information instantly.
- Effortless Workflow: Fix discrepancies during reconciliation within a single, powerful platform and watch the updates seamlessly flow through the entire process.

Reap the rewards of excellence

Aico's unique live ERP integration means you only work with the most up-to-date and accurate data. Make corrections during reconciliation without delay or creating a complex audit trail.

Centrally governed compliance and visibility ensure that the risks of non-compliance and fraud are minimised, allowing you to easily track the close process from start to finish and sleep soundly knowing everything is under control.

Standardised practices across all your entities create a solid foundation for automation. Aico automates tedious tasks, freeing your team up to focus on strategic initiatives. Built-in internal control enforcement and real-time oversight ensure peace of mind throughout the entire process.

Built for enterprises, Aico's comprehensive solution is designed for the highest level of efficiency and delivers reconciliation excellence right from the start.

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