



Financial Reporting Analytics Risk Analytics – Managed Services

For Private circulation only

Overview

Introduction

Today's finance function is experiencing a multitude of challenges, particularly as its operating environment gets complex and dependent on data from systems. Traditional methods to review the underlying transactions for financial close, and activities to quality check and oversee these reconciliations, are thus getting increasingly error prone, slow, and difficult to deliver, as well as more resource-intensive.

Now more than ever, the Finance function needs to embrace cutting-edge, analytic technologies to build and sustain more efficient and effective control over their increasingly complex business activities. It becomes critical to analyze the financial entries captured in the system and to understand the accounting behavior and trends.

Deloitte Risk Analytics Solution

Our teams help design, implement, and embed technology, enabling our clients to identify, assess, and prioritize risks and seek-in actions more quickly. As they do so, they seek-in a faster and more reliable

analysis of the GL movements, integrating financial data from multiple source systems and presenting it to users over the web via interactive reporting dashboards.

Monitoring and controlling the behaviour of financial entries regularly not only helps the business have a smooth financial close but also highlights the potential control failures and frauds at the transaction level, helping the clients mitigate these risks in advance and formulating controls to minimize uncertainty at financial close.

Financial Reporting Analytics

Ad-hoc to Technology-Driven

Companies spend hundreds of man-hours in completing reconciliations; however, they are unable to access key information without adding hundreds of more hours without technology. Organizations spend huge amounts on the best ERP systems to record and track transactional data, but rely on manual processes to make sure that the information is valid, correct, and appropriate.



Financial Reporting Analytics

FRA is a proprietary tool by Deloitte which leverages technology to automate the process of journal entry analysis.

Current Challenges

- High volumes of complex issues present in reconciling certain GL codes are too often dealt with via informal, often spreadsheet-based, finance reconciliation activities.
- Establishing clear ownership and accountability for closing each individual GL account.
- 'Fire fighting' approach, hence little investment in proactive root cause analysis and fix activities.
- Increasing compliance, regulatory and external reporting expectations are putting pressure on resources dealing with "traditional" Finance activities.
- Key stakeholders now have a reduced tolerance for reporting errors or restatements.

Deloitte Risk Analytics Solution

The Financial Reporting Analytics is a tool that facilitates a comprehensive analysis of accounting entries passed in the book-keeping system and examines unusual transactions (Dormant users, GL Accounts anomalies, etc.) using Trial Balance (TB) and Journal Entry (JE) Data.

We are able to achieve this by integrating financial data from multiple source systems and present it to users, over the web via interactive reporting dashboards, which empowers the key people to make quick and accurate decisions.

Potential Benefits

- Factors Affecting the Financial Close Seldom-Used Accounts & Users
 - Unusually High/Low Amounts
 - Unrelated Accounts
 - Large Credits to Income Statement
 - Large Debit to Revenue
 - Amounts with Round or Recurring Digits
 - Back/Pre-Dated Entries
 - Entries with Potential Keywords
- Highlight Data Integrity Problems
 - Duplicate Entries
 - Debit/Credit Amount Not Reconciling at Document Level
 - Incomplete Records (Missing Entries)
 - Debit/Credit Amount Not Reconciling at GL Account Level
- Get a complete turn-key solution in place rapidly
 - Customize and deploy in 4 – 6 weeks
 - Integrate and organize data across systems
 - Leverage prebuilt analytics scripts and integration technology
 - Software-as-a-Service (SaaS) delivery Model

Reporting Dashboard

Facilitates Trends, Correlations &, and Drill-Down on Interactive mode

Dashboard Overview

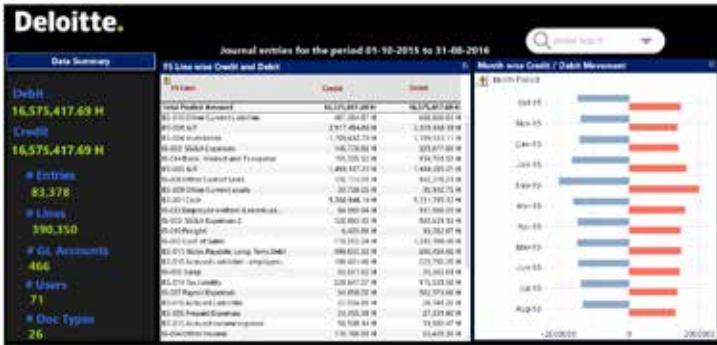
Descriptive trend-based analytical insights into the Debit/Credit movement of the journal entries in a given period (month-on-month) for all the account headers, such as expenses, cash, assets, payroll, etc., allowing the users to drill down to the specific transactions occurring in that account. Any exceptions or outliers in the movement of these balances are highlighted.

It allows the user to make multiple selections to compare various accounts providing insights into the data which that empowers the controllers to make the right decisions which in turn results in a smooth financial closure. FRA presents the information in an analytical format in time series to identify relevant patterns and the areas of control failure based on Trial Balance (TB) and Journal Entries (JEs).

Controllers can identify potential risks in conflicting functions such as record

payments and post journal entry, process vendor invoice and record AP payments, recording acquisition of fixed assets, etc. User activity analysis provides the auditor with details on Users and Transactions who have access to conflicting business functions (risks). It gives the auditor the flexibility to select user-wise transaction information of business functions.





Sample Dashboard

As company management begins to better understand the role that balance sheet account reviews can play in detecting and preventing financial statement misstatements, significant deficiencies and material weaknesses, they will see the need to improve both the timing and overall quality of these review processes.



Dissecting the data further

The monthly balance movements can be simultaneously analyzed at two levels:

1. Financial Statement Level, where each financial statement line (cash, revenues, cost of sales) can be analyzed on a monthly basis.

2. General Ledger Level, where the monthly balance movement of every account can be analyzed to identify the outliers, and hence avoid the risk of misstatements at the time of a financial close.



GL Movement Analysis

Transaction Scrutiny

Transaction Scrutiny provides details of selected transactions and enables the controllers to select dynamic input parameters for further review and finding out the root cause of any misappropriation in the balance.

The transactions at times are pre/post dated/postdated to a financial period which may mean that there has been a misstatement or a restatement – posing as a threat to a smooth financial close.

The screenshot shows a complex software interface for transaction scrutiny. It includes several sections: 'Select by Posting period' with a calendar view, 'Select Posted date' with a date picker, and a 'Posting Key' section with a grid of checkboxes for various transaction types. Below these are two main data tables: 'JV Header Details' and 'JV Line Details'. The 'JV Header Details' table has columns for Company Code, Document Number, Document Type, User ID, Posted Date, Effective Date, Period, and Document Description. The 'JV Line Details' table has columns for Company Code, Document Number, Line Number, Account, Account Description, Debit / Credit, Amount, Financial Statement Line (DT), Standard / Non-Standard, and Line Description.

Transaction Scrutiny

There is tangible value to be gained by investing in improving the last mile of finance. The intangible benefit of preserving shareholder value by reducing the negative financial impacts of misstatements and restatements may yield even higher value as CFOs sign balance sheet with more confidence.

There is also significant value to be gained from improvements in last mile of finance through efficiency. The intangible benefits, even though difficult to measure, may be even higher: confidence in the numbers, better decision-making, and motivated accountants.



Contact

Rohit Mahajan

President
Risk Advisory
rmahajan@deloitte.com

Kedar Sawale

Partner
Risk Advisory
ksawale@deloitte.com

Johar Batterywala

Partner
Risk Advisory
jobatterywala@deloitte.com

Deloitte.

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee ("DTTL"), its network of member firms, and their related entities. DTTL and each of its member firms are legally separate and independent entities. DTTL (also referred to as "Deloitte Global") does not provide services to clients. Please see www.deloitte.com/about for a more detailed description of DTTL and its member firms.

This material is prepared by Deloitte Touche Tohmatsu India LLP (DTTILLP). This material (including any information contained in it) is intended to provide general information on a particular subject(s) and is not an exhaustive treatment of such subject(s) or a substitute to obtaining professional services or advice. This material may contain information sourced from publicly available information or other third party sources. DTTILLP does not independently verify any such sources and is not responsible for any loss whatsoever caused due to reliance placed on information sourced from such sources. None of DTTILLP, Deloitte Touche Tohmatsu Limited, its member firms, or their related entities (collectively, the "Deloitte Network") is, by means of this material, rendering any kind of investment, legal or other professional advice or services. You should seek specific advice of the relevant professional(s) for these kind of services. This material or information is not intended to be relied upon as the sole basis for any decision which may affect you or your business. Before making any decision or taking any action that might affect your personal finances or business, you should consult a qualified professional adviser.

No entity in the Deloitte Network shall be responsible for any loss whatsoever sustained by any person or entity by reason of access to, use of or reliance on, this material. By using this material or any information contained in it, the user accepts this entire notice and terms of use.