



Bank controllership modernization through digital controllership

Advancements in digital technologies are presenting unique opportunities for controllers to solve some of their most pressing challenges, while also allowing them to elevate and transform the role that they can play within the organization. More specifically, exciting advancements in finance technologies are, for the first time, providing controllers with real-time access to high-quality financial data, allowing for significant enhancements in reporting timeliness and the ability to provide deeper value-added insights to the business that can enable key decision making. Bank controllership organizations, in particular, are faced with an enhanced level of complexity in their current environments due to the broad swath of granular reporting requirements across risk, regulatory, consolidated, and legal entity reporting and thus have even more to gain from strategically embracing digital technologies.

Align source data and modernize the digital core

Recent enhancements to ERP platforms and other core banking and servicing platforms have enabled organizations to efficiently process significantly larger volumes of data, which allow for real-time updates to balances and reports. Additionally, these systems promote a clean transaction flow from source trade capture and product processing systems directly to financial systems (sub-ledgers and general ledgers), which reduces the number of transaction-level variances that require manual reconciliation. In addition to speed and clean flow, these enhancements allow bank controllers to efficiently drill down into financial statement balances for analysis. Leveraging the right platform (the “digital core”) and migrating to a common and controlled data model helps provide a uniform source of data and enables

bank controllers to better address their ever-evolving risk, regulatory, and financial reporting requirements. Many banks have focused on the following items to optimize their digital core:

- **In-memory computing:** The shift to platforms and applications that leverage in-memory computing has enabled faster reporting and real-time data analysis by boosting performance and significantly reducing processing times.
- **Cloud-based technology:** Banks are thinking about how cloud-based technology can be leveraged to house the accounting ledgers and hubs, providing potentially cheaper solutions that can be up and running in weeks. Leveraging the cloud allows an organization to shift the management of hardware and software to experienced vendors, freeing up internal resources to focus on other initiatives.

- **Accounting hubs – integrated finance sub-ledgers:** Integration of the digital core promotes a single, consistent view of accounting across an organization. Interconnected sub-ledgers maintain data at the transaction level, which allows users to analyze and report on accounting adjustments at both detailed and summarized levels.

- **Data lakes:** Many organizations are implementing data lakes, which allow for storage of data in virtually any format. Less structured than a typical data warehouse, data lakes provide business users with direct access to raw data, which can facilitate faster analysis by a broad range of users. These solutions often complement, rather than replace, structured data models, which facilitate the maintenance of data definitions and lineage.



Improve efficiency and effectiveness

Bank controllership organizations often grapple with highly manual accounting and reporting processes, relying upon a myriad of control techniques to ensure completeness and accuracy of reported results. A common approach to addressing this challenge historically has been to staff up, often resulting in highly inefficient and costly operations. Automation and cognitive technologies can be utilized to reduce reliance on manual processes, increase processing speed and accuracy, and free up the capacity within bank controllerships to focus on higher value-add tasks.

Robotic process automation technologies can efficiently automate routine rule-based tasks, such as sourcing and compiling data, adjusting data in financial systems, and reconciling information. In more complex situations, custom-built cognitive automation solutions can be designed to solve systemic business problems and transform the way all members of the controllership organization work. Automation technology being deployed within banks generally falls into the following three categories:

- **Enhanced finance automation** is purpose-built automation solutions that leverage standard (i.e., if/then) logic to automate manually performed end-to-end processes within the close cycle. These technologies address reconciliation

management, consolidation, and intercompany accounting solutions.

- **Robotic process automation (RPA)** is automation of routine activities that can be coded in repeatable program language using a variety of design-for-purpose vendor solutions. RPA is already top of mind for many bank controllers as they look for quick ways to solve specific pain points, trim costs, or completely redesign current processes. In fact, many banks have taken steps to set up RPA Centers of Excellence and have experienced some success in deploying RPA bots to automate tasks across the organization. However, the identification and deployment of use cases within finance and controllership has been much more limited to date.

- **Cognitive automation** is intelligent technology designed to solve specific business issues that cannot be resolved through other automation solutions. For example, natural language generation applications allow banks to automate analysis narratives for internal management reporting. The use of cognitive automation within controllership is still maturing; however, many banking institutions are beginning to launch pilots to identify how tools can be used to enhance decision making and analysis.

In the evolving bank controllership world, digital core and automation technologies can be leveraged to enhance quality, efficiency, and control throughout the end-to-end reporting processes.



Enhanced decision-making and control environment

As banks continue to make enhancements to their digital core and migrate to common risk and finance data models, opportunities are opening to more fully harness recent advancements in analytics and data visualization tools, to derive meaningful business insights that can enhance management decision making on key topics. Additionally, technology packages with access to “big data” and intelligent capabilities are enabling controllers to support dynamic financial planning and strategic scenario-planning efforts with advanced modeling and predictive analysis. Lastly, bank controllers are starting to evaluate how analytics tools can be utilized to transform and enhance their control frameworks. The following are two recent analytics and insights trends that have been observed that should be considered as the controllership organization charts the path of its modernization journey:

- **Dashboard and trending visualization:** Identify opportunities to replace traditional data analysis of historical financial records and other transactional-level metadata with more effective data visualization-based analytics that highlight key trends and anomalies. For example, the visualization of journal entry analytics can highlight hot spots, potential inaccuracies, or control deficiencies in a more effective manner than traditional data analysis.

- **Control automation:** Identify opportunities to automate first-line controls and implement control monitoring dashboards (KPIs/KRIs) so that controls can be monitored on a near real-time basis. As controls are automated and monitored by the first line, it allows the testing functions to migrate to a more strategic, risk-based, continuous monitoring and testing approach that has a greater focus on exceptions and resolution processes, instead of the traditional sampling-based testing approach. Adopting a continuous monitoring and testing approach also has the added benefit of early identification of emerging risks within the end-to-end reporting process.



Establishing short- and medium-term steps within a long-term strategy

As bank controllerships embark on their modernization journeys it is critical to establish a clear, long-term vision and roadmap that has buy-in and input from key stakeholders across the risk and finance organizations. Furthermore, given the longer timelines and significant investments that are required in modernizing digital core solutions, bank controllers should also have meaningful short-term and medium-term plans that fit into the long-term strategy but provide quick wins in the form of relief to current pain points. For example, short-term steps could include evaluating current issues

and making near-term strategic decisions on deploying process automation capabilities to address key pain points such as manual journal entries, data aggregation processes, manual reconciliation processes, and product control and reporting preparation processes. Such targeted automation of manual processes will help banks to enhance overall data quality, reduce costs, increase processing speeds, and better manage the risk of reporting errors in the near term.

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