

Impact of Financial Data Quality Management

The last few years have been a period of unprecedented demands on Corporate and Financial reporting. Finance and IT had to wake up to reporting demands meeting International Financial Reporting Standards (IFRS), additional disclosures under the EU Accounts Modernization Directive (AMD), Basel 2 and Sarbanes Oxley. This has significantly added to the volume of information already being managed. For example, Both US GAAP and IFRS require multifaceted views of a business i.e., segmental reporting. But unlike growth in volumes, multidimensional reporting adds significant complexity to information transformation. The entire supply chain i.e., sources, interfaces and data transformation requires to be managed for accurate performance reporting.

However, data quality management is the unseen side of the larger enterprise financial reporting. Much attention is paid to end results like financial consolidation, executive dashboards, information portals etc. Yet mismanagement or neglect of underlying balance information or interfaces can place the integrity of the whole process in jeopardy. An error in structural information such as an account code or cost centre, or in transaction data or in the transformation scripts can be guaranteed to be provide the wrong results – unless it is trapped and corrected.

In recent years financial reporting processes have become part of other key management processes such as panning, budgeting, forecasting, scorecarding and analytics to form a common and wider performance management platform sharing common data structures. With such inter-connection and inter-dependency, quality of data as cascading effect on all the management processes. Therefore, it is not surprising that information is cross verified at various stages and at various levels before it is presented to the board and to the larger investing community. Yet the benefits of efficient data quality management are not merely limited to error detection, control and prevention. For example, active management of data in performance management delivers shorter month close cycles, deeper traceability and insight into the numbers, a more auditable and compliant process coupled with greater management confidence in the financial statements, budgets and performance scorecards.

Challenges of Current Practice

Thirdware recently surveyed the month close and consolidation process of global manufacturing company. The company operates multiple business lines and on all the continents. Financial consolidation and reporting is rolled up from individual countries to global numbers. Key data comes from multiple ERP's with multiple Chart of Accounts within the same ERP. Not to mention, various excel sheets providing non-financial performance data.

The company spends about 10 days including month close to submit the final data to the Board. Verification of numbers is done at Country level (where business lines are consolidated for the country), at Geographical level where countries and their business lines are consolidated and verified and at global level where geography and business lines are consolidated and verified.

In this instance much of the time was being spent by the financial community in comparing and ensuring accuracy of performance data. This is on top of reconciling inter-company transactions and providing variance analysis.

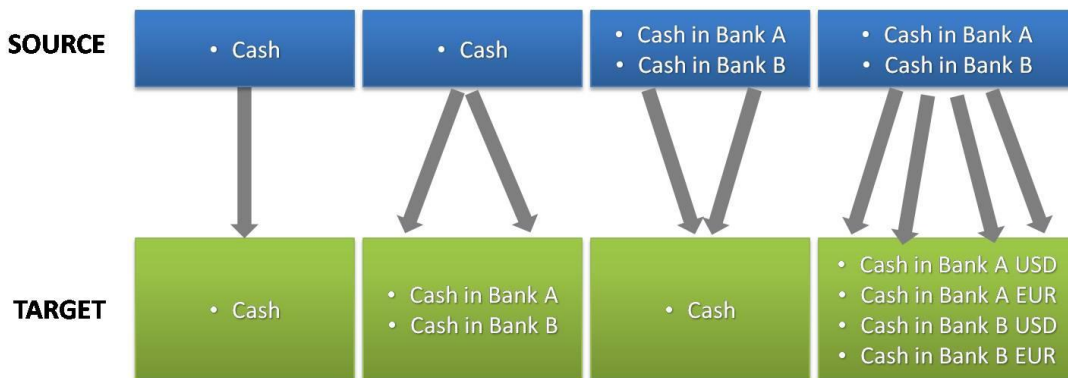


Fig. 1 Various mapping options between Source & Target systems

In the past, managing interfaces between systems has been regarded by both the finance and the IT function as a technical requirement. Many of the ETL (Extract, Transform and Load) tools used to manage interfaces and collect data from a host of systems to target systems are designed to be used by IT specialists rather than finance users. Even though ultimate responsibility for the quality of the data transferred usually rests with the finance function. This has created a slight disconnect between the data and the finance community affected by the same. Whilst ETL tools can serve a useful purpose in bridging source and host systems, the resulting interface is of limited scope and uni-directional in nature.

Financial Data Quality Management (FDQM) provides the comprehensiveness which has been lacking in ETL. FDQM provides complete visibility on the data lying in the pipeline including audit data on changes. As a data processor designed to take on such intricacies, FDQM reverts the ownership of data back to finance community with full control.

	ETL	FDQM
Nature	Generic data transfer between applications	Created for transfer of intricate financial data where control is a key requirement
Stakeholders	Managed by IT with specific skill set	Designed for usage by finance
Scope	Provides interface for transfer of data	In addition to interface function, provides visibility on changes to data
Audit	Limited functionality to provide complete audit trail	Complete traceability through the transfer chain
Traceability	Uni-directional (From Source to Destination)	Bi-directional (Source – Destination – Source) across the information chain

In the study referred earlier, FDQM was taken as the solution to address the key time consumers in the reporting process i.e., submission and validation of data. By automating the interfaces from ERP's, validating the data from both system and non-system sources and securing visibility on the changes, FDQM was able to address the requirements of the finance community.

Summary

The emergence of FDQM enables a step-change in group reporting and performance management processes. Over the years, performance management has been continuously refined and honed, but the limited capabilities of existing data management tools has left management exposed to slower and fragmented processes, imperfections in data quality and incomplete audit trails. At the same time, increasing data volumes and complexity coupled with rising compliance concerns and audit costs have increased the pressure for a more comprehensive and dependable approach to data quality management.



ON TIME. WITHIN BUDGET.

Thirdware Hyperion practice

Fast Facts

- » Hyperion Partner since 2001
- » Successful Hyperion projects: 100+
- » 60+ certified Hyperion professionals
- » Best Implementation partner of the year in APAC since last 3 consecutive years

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