

The Future of Controls

Becoming a Control Intelligent Organization

June 2024

Introduction

In business, nothing happens without risk. The challenge is that the risk landscape is constantly changing. Organizations are often in a state of flux, regulations and standards continue to evolve, and new forms of external risks are forever emerging in a seemingly unending game of “cat and mouse.” To stay ahead, organizations are increasingly investigating in predictive risk sensing – but many are still in their infancy of exploring this and not able to keep up with the pace of change.

Becoming Control Intelligent

To drive stability and success amid dynamic and often unpredictable business conditions, controls therefore play a critical role. In fact, controls have always played a significant role in managing risks; they are the repeatable processes by which organizations “get things done” while protecting their assets, operations, reputation, and resources from vulnerabilities. Thus, now more than ever, it is imperative for organizations to become “Control Intelligent”: creating and maintaining a control environment that provides continuous, flexible, and comprehensive risk management to future-proof the organization. It’s especially critical that controls allow organizations to operate effectively, efficiently, and with great agility in response to changing circumstances.

Leading Control Intelligent organizations are paving the way and providing a guide, as shown in Deloitte’s latest Future of Controls benchmarking survey. This report contains data and insights from more than 500 global organizations across industry sectors: highlighting the behaviors, best practices, and technology ecosystems that Control Intelligent organizations share. Highly Control Intelligent organizations succeed at applying internal controls to bolster resilience, stay future-ready, and ultimately flourish even amidst volatility and uncertainty.

What goes into being Control Intelligent?

Deloitte’s Control Intelligent (CI) Index is composed of five key elements:

- Controls strategy and governance
- Controls operating model, culture, and capability
- Risk and controls framework and operational maturity
- Controls technology, automation and digitization
- Controls monitoring and assurance framework

Combining these factors, a CI Index is established, reflecting the overall maturity across an organization’s control environment. Deloitte’s Future of Controls benchmarking survey shows a clear correlation between Control Intelligent organizations and a high CI Index.

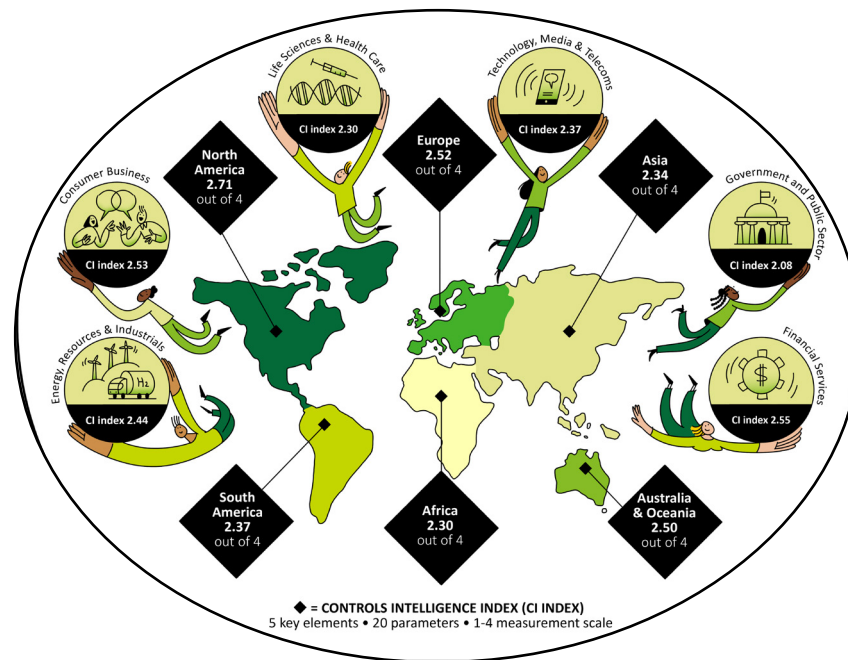
Using the Deloitte CI Index effectively, organizations can gain valuable insights, set realistic improvement goals, and implement targeted initiatives to enhance their maturity levels. This in turn will help drive organizational excellence, improved performance, and greater competitive differentiation.

Control Intelligent Index

Control Intelligent Index

An organization's controls journey varies based on its strategy, the maturity of its controls environment, the level of regulatory compliance pressure it endures, and the specific industry trends it needs to manage. A straightforward comparison against a standard maturity framework does not provide true insight into the maturity of its controls journey. It also does not help organizations understand and prioritize areas of focus in a meaningful way.

The Deloitte Control Intelligent Index (CI Index) is data-driven, helps provide meaningful comparisons with other organizations, and supports a sustainable future. The CI Index helps organizations assess their current controls state and maturity, and define, design, and implement a bold, positive, and fit-for-purpose Future of Controls program.



There are five key elements and 20 associated parameters to calculate the CI Index. The five key elements are:

- **Strategy and governance:** Linkage to organization strategy, tone at the top, risk management strategy
- **Operating model, culture, and capability:** Three lines of defense, controls ambassadors in first line, controls culture, controls experience and training
- **Risk and controls framework and operational maturity:** Process and risk control matrix (RCM) documentation, risk and controls standards, guidance and templates, internal controls performance status
- **Controls technology, automation, and digitization:** Controls digitization level; digitization obstacles; prioritized use of technology; governance, risk, and compliance (GRC) tool
- **Controls monitoring and assurance framework:** Risk and controls indicators, controls testing frequency, external auditor reliance, level of assurance effort, traceability of control results

The CI Index is measured based on the above key elements and parameters on a scale of 1-4, with 4 representing the highest level of maturity.

Control Intelligent organizations are leading a bold and positive future

Deloitte's Future of Controls benchmarking survey data shines light on how Control Intelligent organizations are driving a bold, digitally enabled Future of Controls journey and enabling growth while protecting value. They all follow five key common principles and support the 10 key themes derived from the survey data. These principles and themes largely transcend industry sectors and are agnostic of the regulatory environment and/or organization revenue/size, highlighting common pathways to greater resilience and success.

Common principles of a Control Intelligent organization

1. Controls design principles are aligned with the organization strategy and purpose. They are not only protecting the organization but also creating value in a consistent and coordinated manner.
2. A consistent and strong tone at the top reiterate the need for and value of controls, with controls embedded in key decisions – whether it is strategic decision making or designing and delivering transformative programs.
3. Control what matters, balancing between trust, prescriptive rules, and procedures for controls and monitoring.
4. Controls are truly owned and operated by the first line with as many “controls ambassadors” embedded in the first line, who are supported through a continuous “controls capability” enhancement focus. There is a strong collaboration between the first and second line and across teams through these controls ambassadors – breaking down silos and ensuring that everyone is working towards a common goal.
5. Digitization is a priority for every part of the controls lifecycle, enabling controls and control processes to operate more efficiently, effectively, and with greater agility. There is a strong commitment to continuous improvement, using data and analytics to proactively identify areas for improvement and adapt quickly to changing circumstances.

The 10 key themes from the Future of Controls benchmarking survey

1. A strong “tone at the top” and strategy alignment help drive controls culture and maturity.
2. A higher number of “controls ambassadors” in the first line supports better controls culture and maturity.
3. An experienced controls team and regular training enhance risk and controls maturity.
4. Co-sourced/outsourced controls functions support better controls training across the organization.
5. High controls maturity correlates to share price improvement.
6. Enriched process documentation and risk assessment enhance risk and controls maturity.
7. Higher controls automation drives higher controls maturity.
8. Aligning controls with organizational strategy supports improved automation of controls.
9. Elevated external auditor reliance on management testing is linked to controls maturity.
10. Co-sourced/outsourced controls function supports efficiency in controls testing.

Although some of the above principles and themes may sound elementary and easy, and have been in discussion in the risk management parlor, a significant percentage of organizations are still far from following and embedding them properly – highlighting the need for greater focus on technology-driven controls education, and controls culture.

CONTROL-INTELLIGENT ORGANISATIONS - LEADING A BOLD & POSITIVE FUTURE

ARE YOU A CONTROL-INTELLIGENT (CI) ORGANISATION? WHAT'S YOUR CI INDEX?

FUTURE OF CONTROLS

GLOBAL BENCHMARKING

500+ COMPANIES | 30+ COUNTRIES | 6 INDUSTRIES

STRATEGY AND GOVERNANCE

#1

A STRONG 'TONE AT THE TOP' AND STRATEGY ALIGNMENT HELP DRIVE CONTROLS CULTURE AND MATURITY

52% of respondents linked internal controls to company strategy

Talent and control culture are 2 key opportunities highlighted for a better controls environment

OPERATING MODEL, CULTURE AND CAPABILITY

#2

A HIGHER NUMBER OF 'CONTROL AMBASSADORS' IN THE FIRST LINE SUPPORTS BETTER CONTROLS CULTURE AND MATURITY

47% highlighted strong internal control culture within the company

9% of respondents have better representation of control ambassadors in the first line

#3

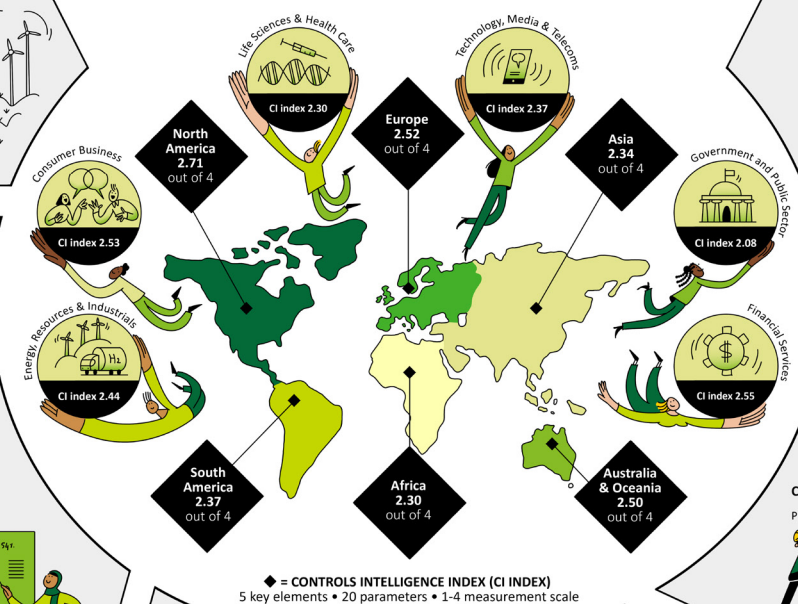
AN EXPERIENCED TEAM AND REGULAR TRAINING ENHANCE RISK AND CONTROLS MATURITY

54% responded that employees are provided with regular risk and controls training

#4

CO-SOURCED / OUTSOURCED CONTROL FUNCTIONS FACILITATE BETTER TRAINING

46% have an experienced risk and controls team



RISK AND CONTROLS FRAMEWORK

#5

HIGH CONTROLS MATURITY CORRELATES TO SHARE PRICE IMPROVEMENT

#6

ENRICHED PROCESS DOCUMENTATION AND RISK ASSESSMENT ENHANCE RISK AND CONTROLS MATURITY

#7

HIGHER CONTROLS AUTOMATION DRIVES HIGHER CONTROLS MATURITY

39% of respondents have an advanced / matured controls framework

CONTROLS MONITORING AND ASSURANCE

#9

ELEVATED EXTERNAL AUDITOR RELIANCE ON MANAGEMENT TESTING IS LINKED TO CONTROLS MATURITY

76% stated an increased level of controls assurance effort in the last 12 months

#10

CO-SOURCED / OUTSOURCED CONTROLS FUNCTION SUPPORTS EFFICIENCY IN TESTING

31% have an advanced / matured level of risk and control monitoring indicators

CONTROLS TECHNOLOGY, AUTOMATION AND DIGITISATION

#8

ALIGNING CONTROLS WITH ORGANISATIONAL STRATEGY SUPPORTS IMPROVED AUTOMATION OF CONTROLS

14% of respondents have tactically automated / highly automated internal control framework

Common key digital priorities: Process mining, Automated dashboards

Main obstacle to digitalise internal control framework: 42% stated lack of knowledge of the possibilities offered by technology

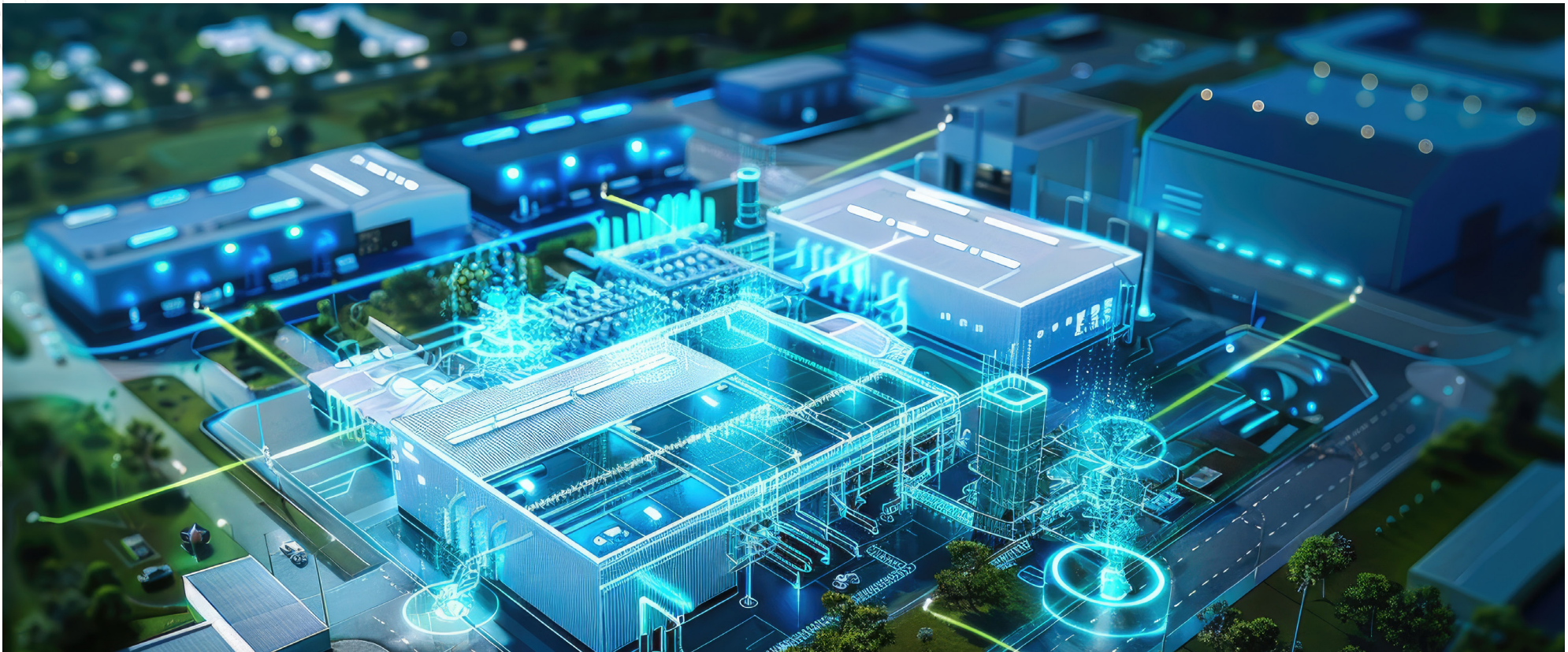
Deloitte.

The way forward

So, how can your organization become “Control Intelligent” as a means to stay future-ready? The Future of Controls journey will vary from organization to organization based on the maturity of the controls environment, the level of regulatory compliance pressure they endure, and the specific industry trends they need to manage. However, irrespective of the level of maturity and transformation, the way forward starts by understanding which principles need improvement and how you can align your controls to each one. Deloitte’s CI Index can help.

Perhaps most pressingly, there is also an opportunity to effectively harness technology to enhance efficiency, reduce errors, and achieve these principles. Organizations must make it a necessity to pursue digitization in every aspect of the controls lifecycle.

Becoming “Control Intelligent” is also more than just setting control strategies, evaluating risk frameworks, and considering the project to be “one-and-done.” The Future of Controls represents a continuous journey: one that embeds the above principles and themes into everyday work, leadership approaches, and organizational DNA. By taking the right steps to action, organizations benefit from a flexible control framework that empowers and protects them today and drives resilience and success far into the future.



Controls strategy and governance



Controls strategy and governance

Key takeaways



of respondents linked internal controls with company strategy



of respondents rated high (3 or 4 rating) tone at the top for internal controls



rated their risk management maturity as 'advanced or mature'

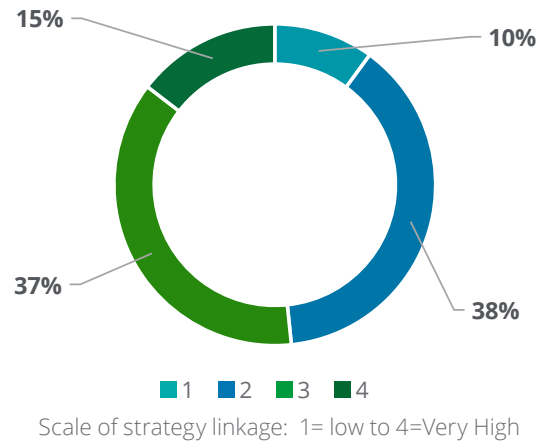
TALENT & RISK CULTURE are the two key opportunities highlighted for a better controls environment.



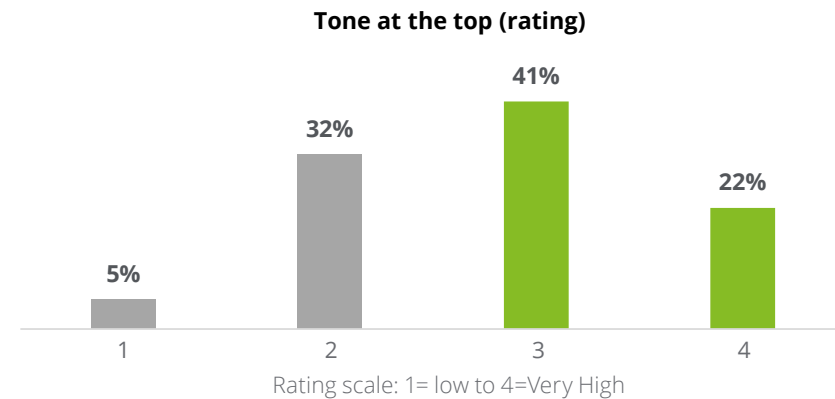
Controls strategy and governance

The graphics below provide an overview of individual question responses, which underpin the Control Intelligent topic

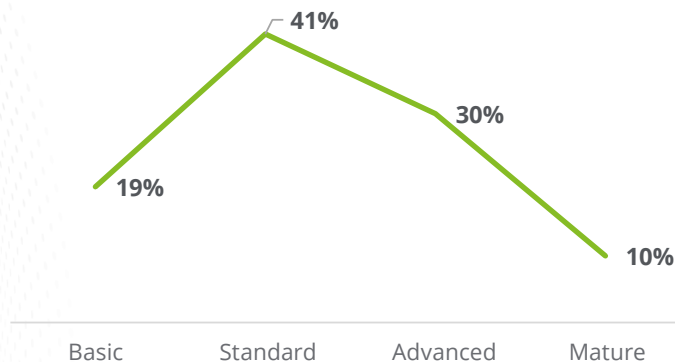
In your opinion, to what extent is internal control linked with the strategy of your company?



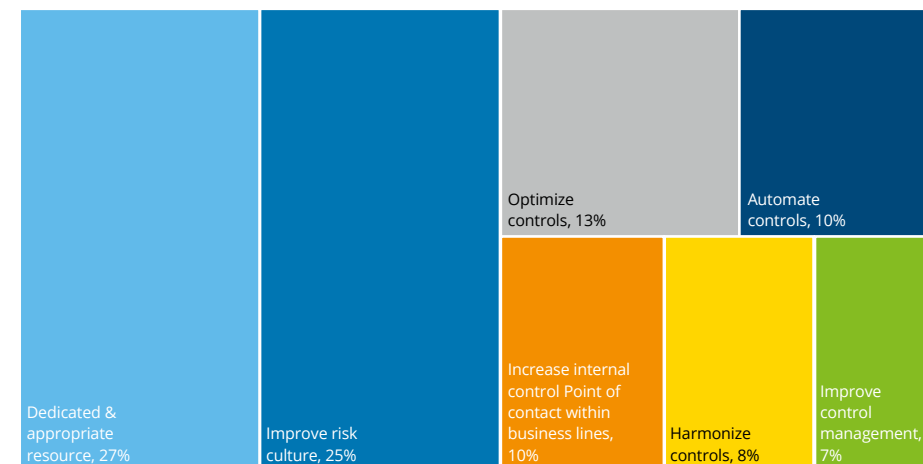
How would you rate the tone at the top in terms for internal control?



What is the level of maturity of your risk management process?

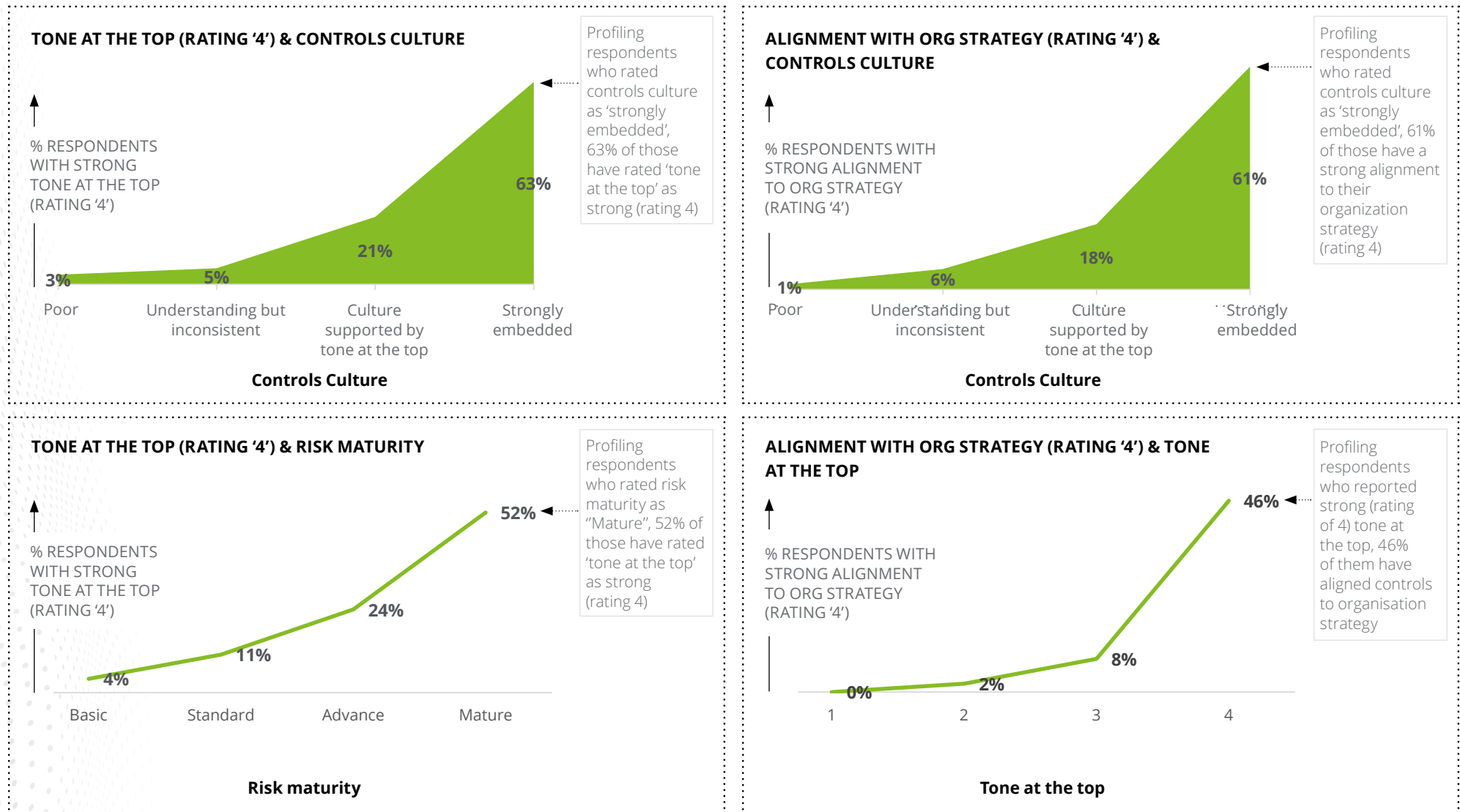


What are your key opportunities to evolve your control environment?



Controls strategy and governance

1. A strong 'tone at the top' and strategy alignment help drive controls culture and maturity



**Controls operating model,
culture, and capability**

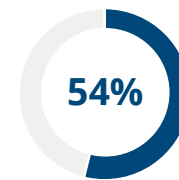


Controls operating model, culture, and capability

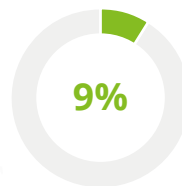
Key takeaways



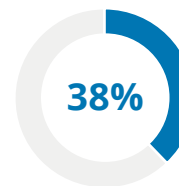
mentioned that they have a clearly defined three lines of defense model



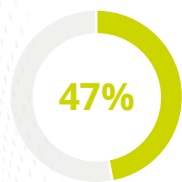
responded that employees are provided with regular risk and controls training



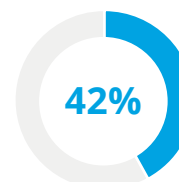
of respondents have better representations of control ambassadors in the first line



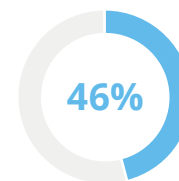
of the organisations occasionally/regularly co-source/ outsource internal control activities



of respondents have a strong internal control culture within the company



of the organisations have e-learning based risk and controls trainings

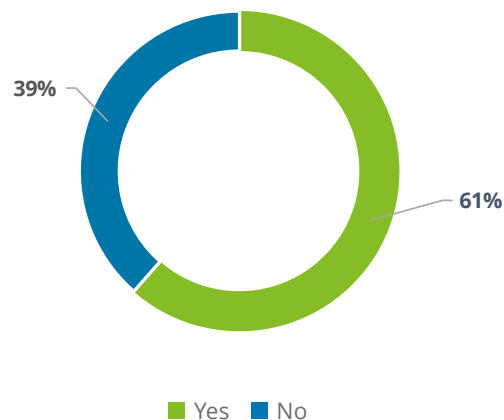


of the organisations have an experienced risk and controls team

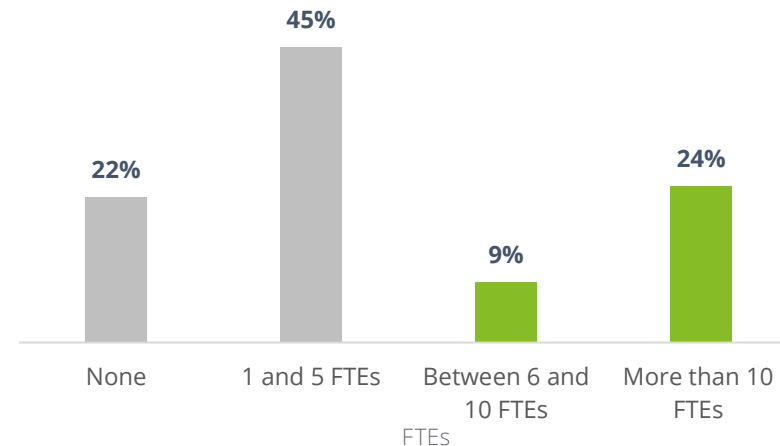
KEY responsibilities of internal controls ambassadors include governance reporting, monitoring and managing non-compliance remediations.

Controls operating model, culture, and capability

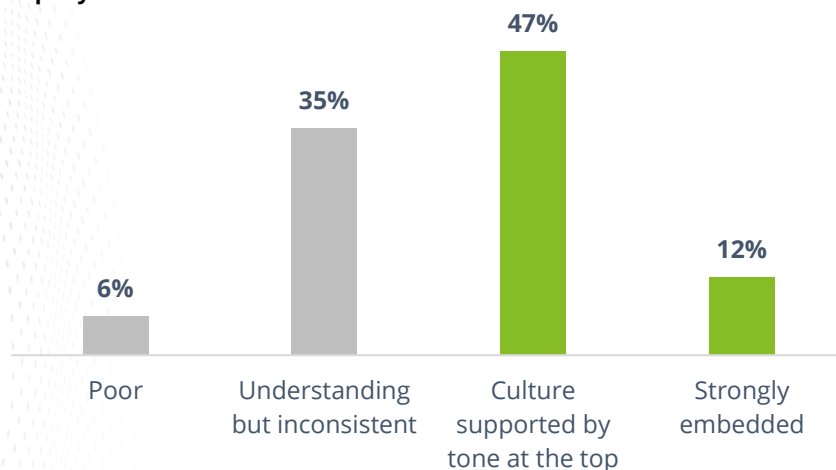
Do you have a clearly defined three lines of defense model?



How many internal control focal points of contact are appointed within the first line of defense, i.e. business operations (in FTE)?



How would you rate the level of internal control culture within your company?

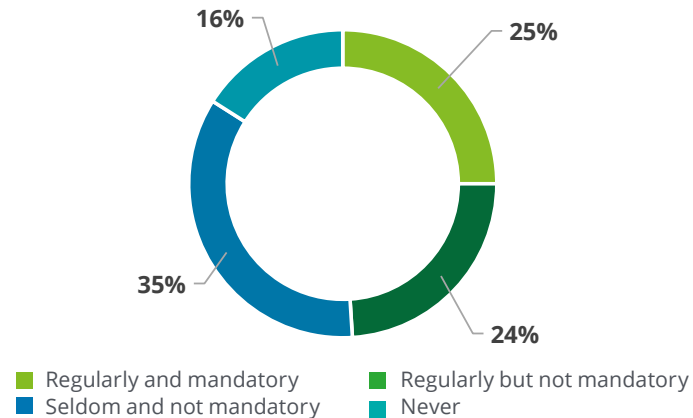


What are the responsibilities of internal controls expand point of contact across the three lines of defense, apart from operating controls?

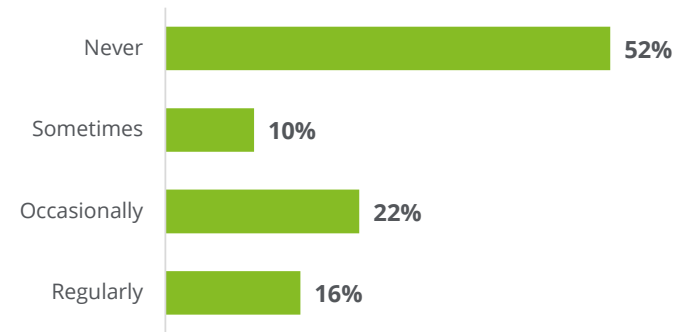
Responsibilities	Priority voting
Operational risk mapping & non-compliance monitoring	1
Governance reporting	2
Operational risk incidents reporting	3
Train/raise awareness of operational staff	4
Participate in the drafting of procedures	5

Controls operating model, culture, and capability

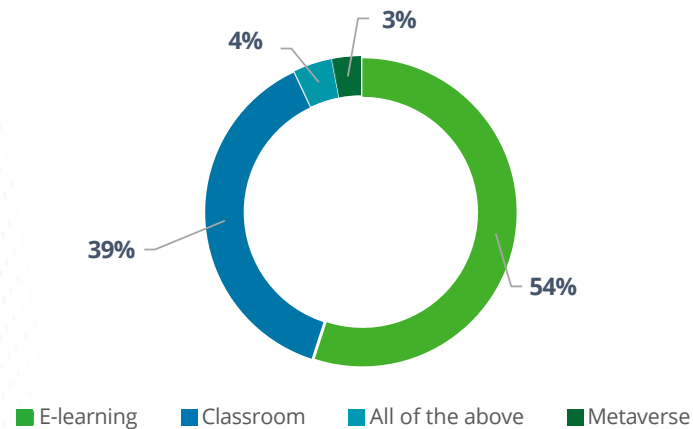
How often does your organization provide employees across the organization with mandatory risk and controls trainings?



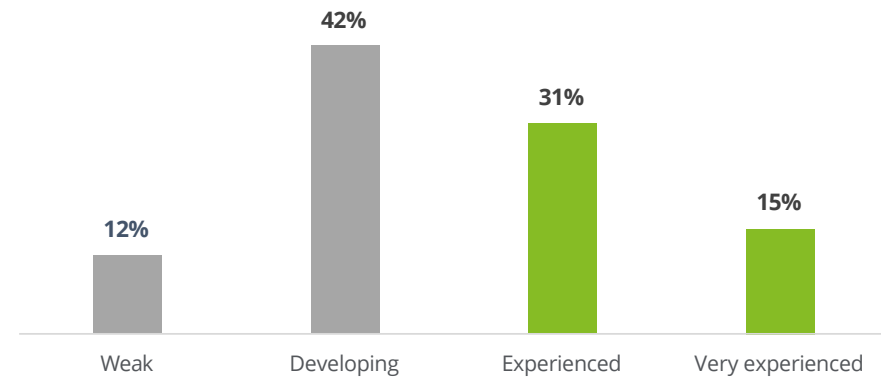
Do you outsource any of your internal control activities (e.g. operation, testing, ownership) to a service provider?



What are the different medium of your trainings?

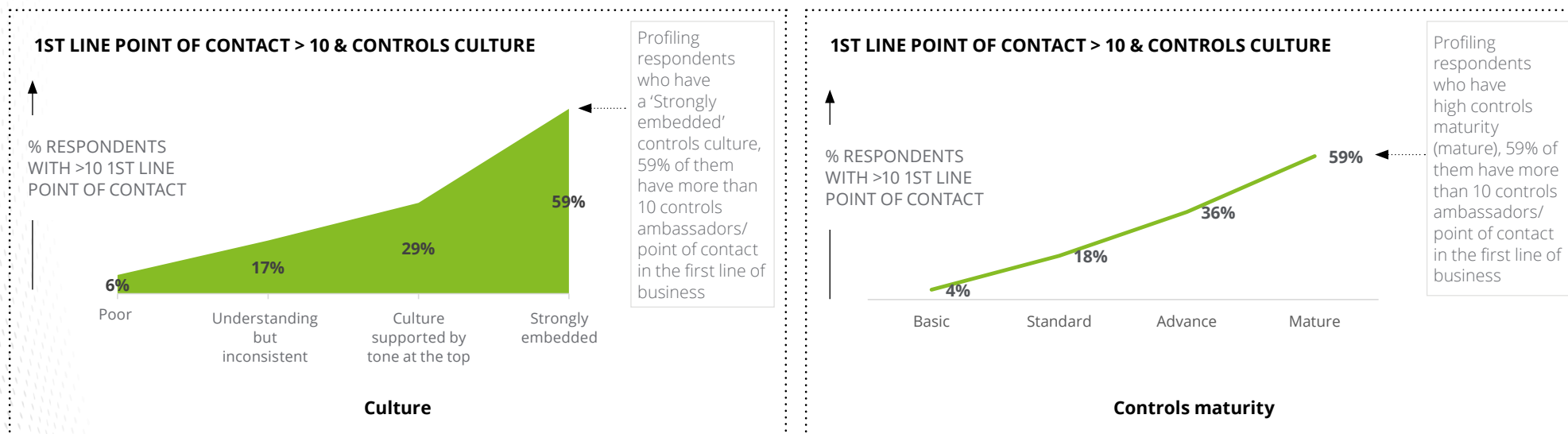


How would you rate the experience of your team over risk and control topics?

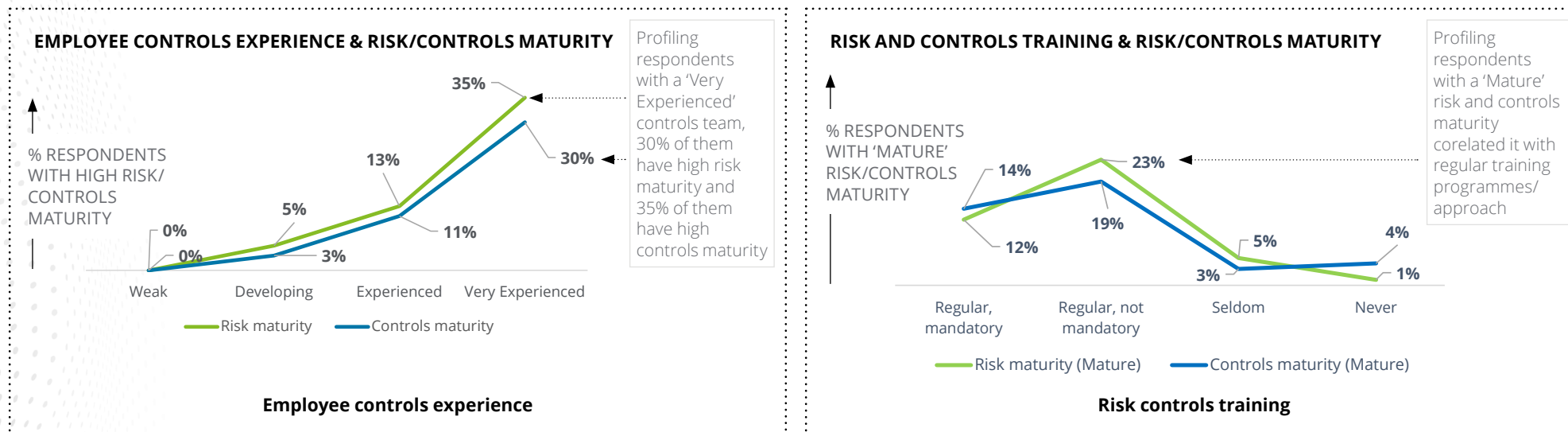


Controls operating model, culture, and capability

2. A higher number of 'control ambassadors' in the first line supports better controls culture and maturity



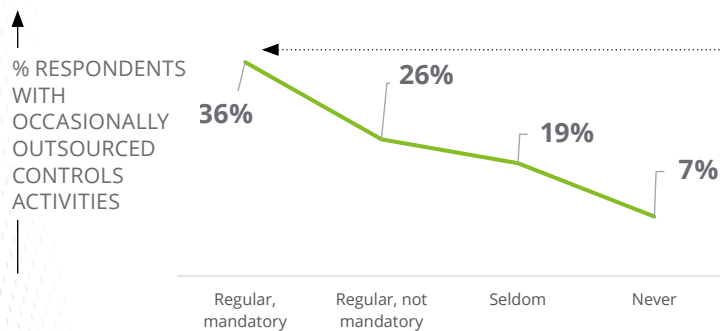
3. An experienced controls team and regular training enhance risk and controls maturity



Controls operating model, culture, and capability

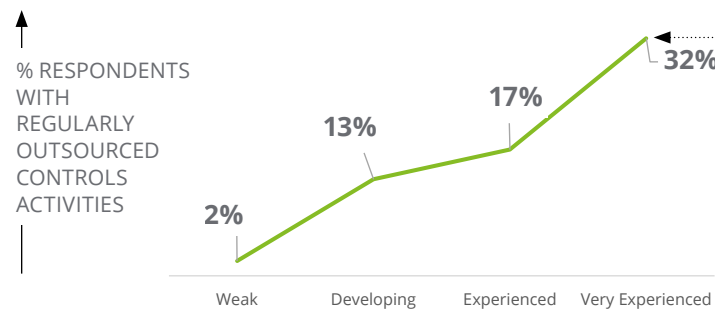
4. Co-sourced/Outsourced controls functions facilitate better controls training across the organisation

RISK AND CONTROLS TRAINING & OUTSOURCED CONTROLS FUNCTIONS



Profiling respondents who provide 'Regular, Mandatory Training', 36% of them outsource risk and controls activities

EMPLOYEE CONTROLS EXPERIENCE & OUTSOURCED CONTROLS FUNCTIONS



Profiling respondents who have a 'Very Experienced' controls team, 32% of them regularly outsource risk and controls activities

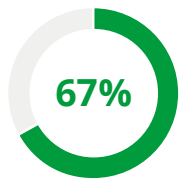


Risk and controls framework and operational maturity



Risk and controls framework and operational maturity

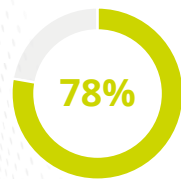
Key takeaways



of the organisations have documented process narratives/process diagrams, including risks & controls



of respondents have an advanced or matured controls framework

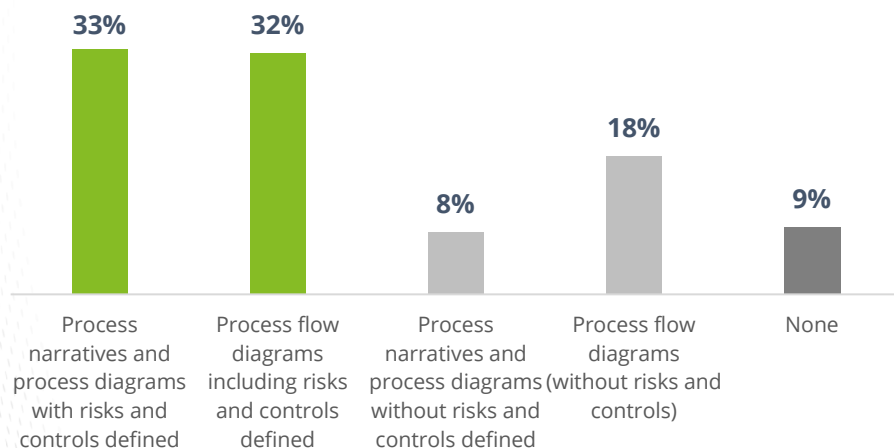


of organisations have documented risk & control standards, guidance & templates to support activity owners

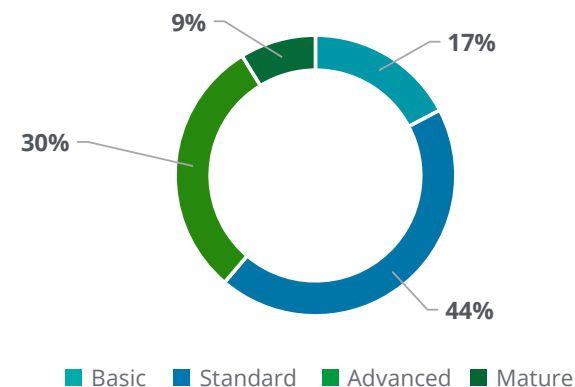


Risk and controls framework and operational maturity

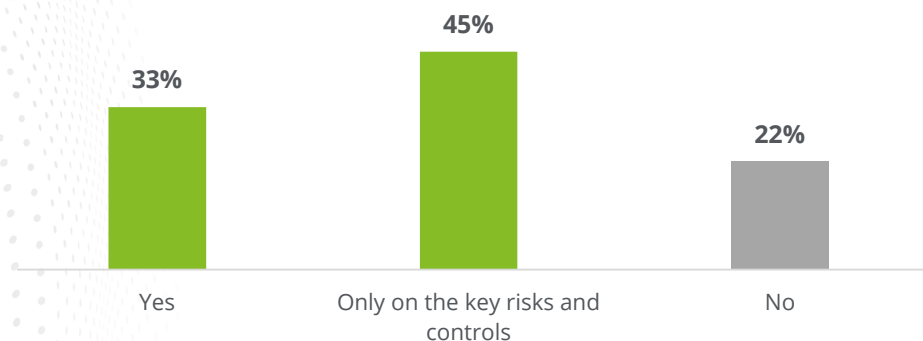
Has your organisation documented detailed process narratives and/or process flow diagrams, including risks and mitigating controls?



What is the level of maturity of your controls framework?



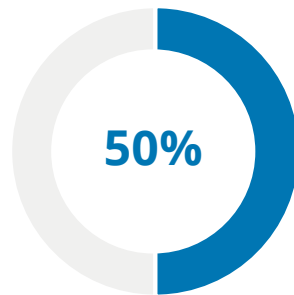
Has your organisation documented detailed risk and control standards, guidance and templates to support the activity owners?



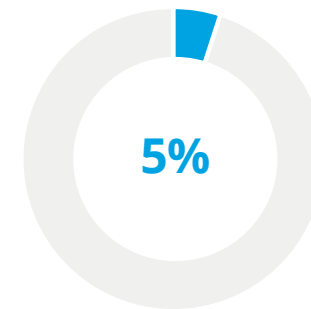
Risk and controls framework and operational maturity

5. High controls maturity correlates to share price improvement

Average 5 year share price improvement for companies with high/very high controls maturity

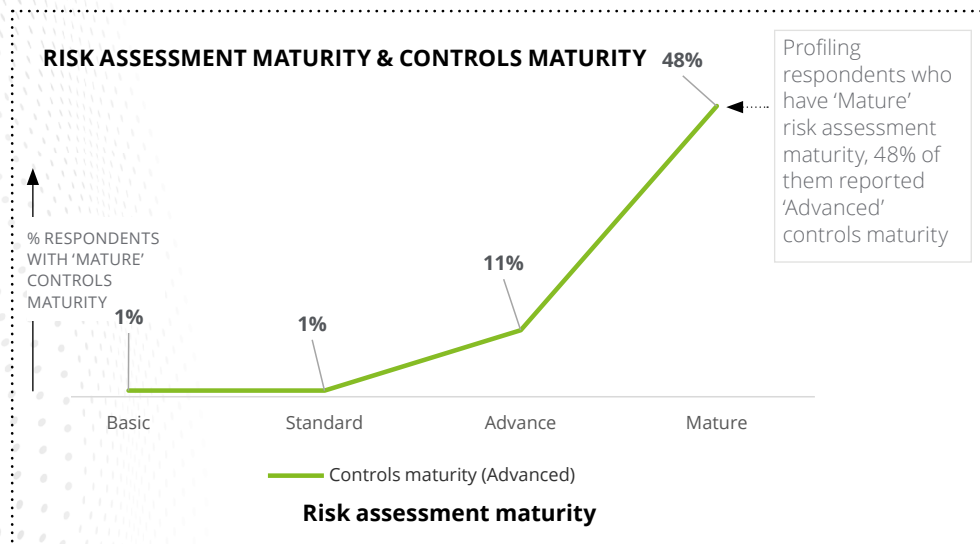
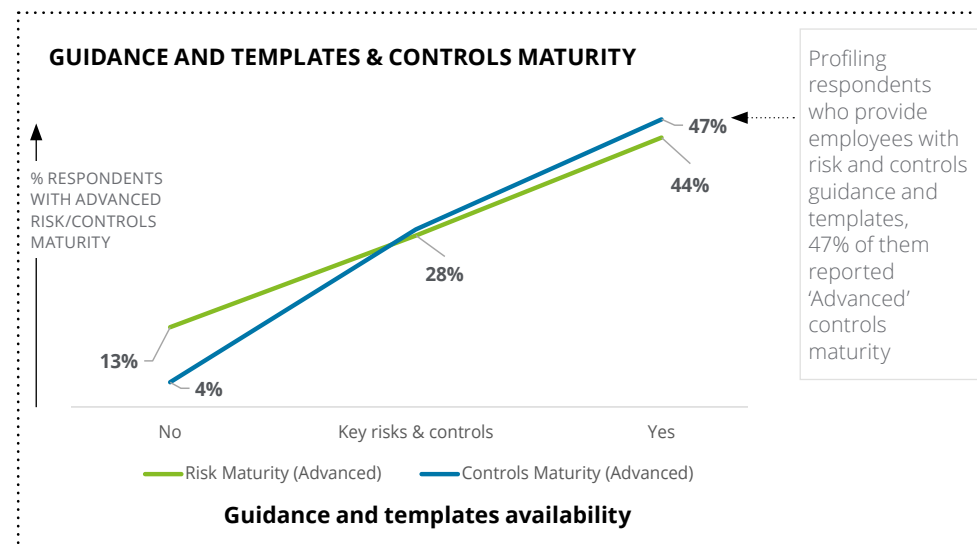
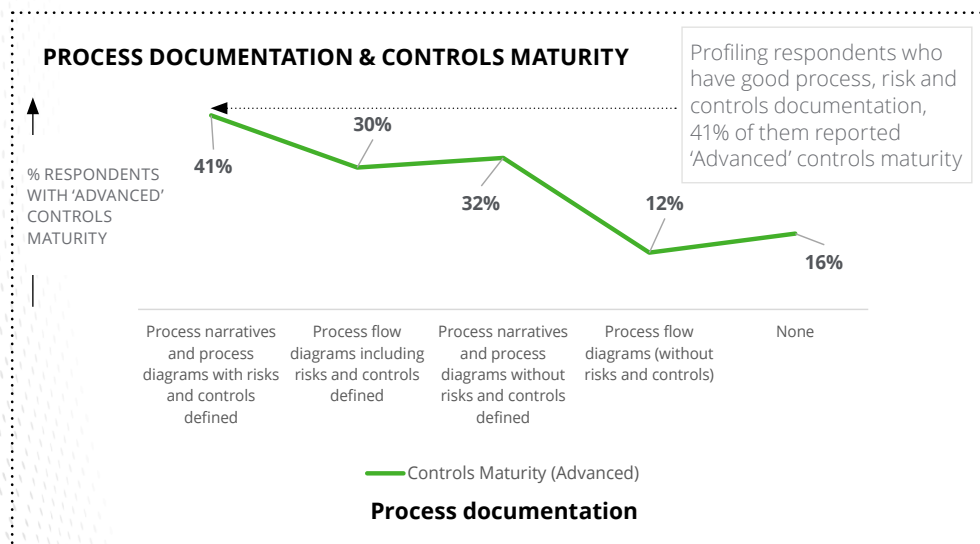


Average 5 year share price improvement for companies with low/medium controls maturity



Risk and controls framework and operational maturity

6. Enriched process documentation and risk assessment enhance risk and controls maturity

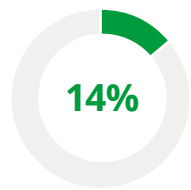


**Controls technology,
automation and digitization**



Controls technology, automation and digitization

Key takeaways



of the organisations have tactically automated or highly automated internal controls

PRIORITISED AREAS of technology focus over the next 2 years include risk management (risk mapping), management of control plans & documentation of controls and automated dashboards.

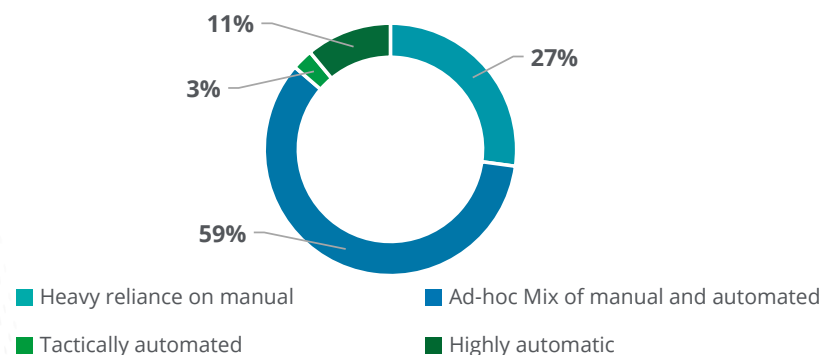
Process mining and third party risk management have been identified as the two key areas of automation focus beyond the 2 year period.

MAIN OBSTACLES to digitalize internal control framework include: Lack of knowledge of the possibilities offered by technology and lack of human resources to develop/implement.



Controls technology, automation and digitization

How would you assess the level of maturity of your internal control framework in terms of digitization?



Risk assessment maturity

In the future where would you like to prioritize the use of technology?

Next 2 years

Risk Management (risk mapping)

Management of control plans and documentation of controls

Automated Dashboards

Follow-up action plans

Process Mapping

Beyond 2 years

Process mining

Third Party Risk management

Automated alerts

Automated dashboards

Data lake

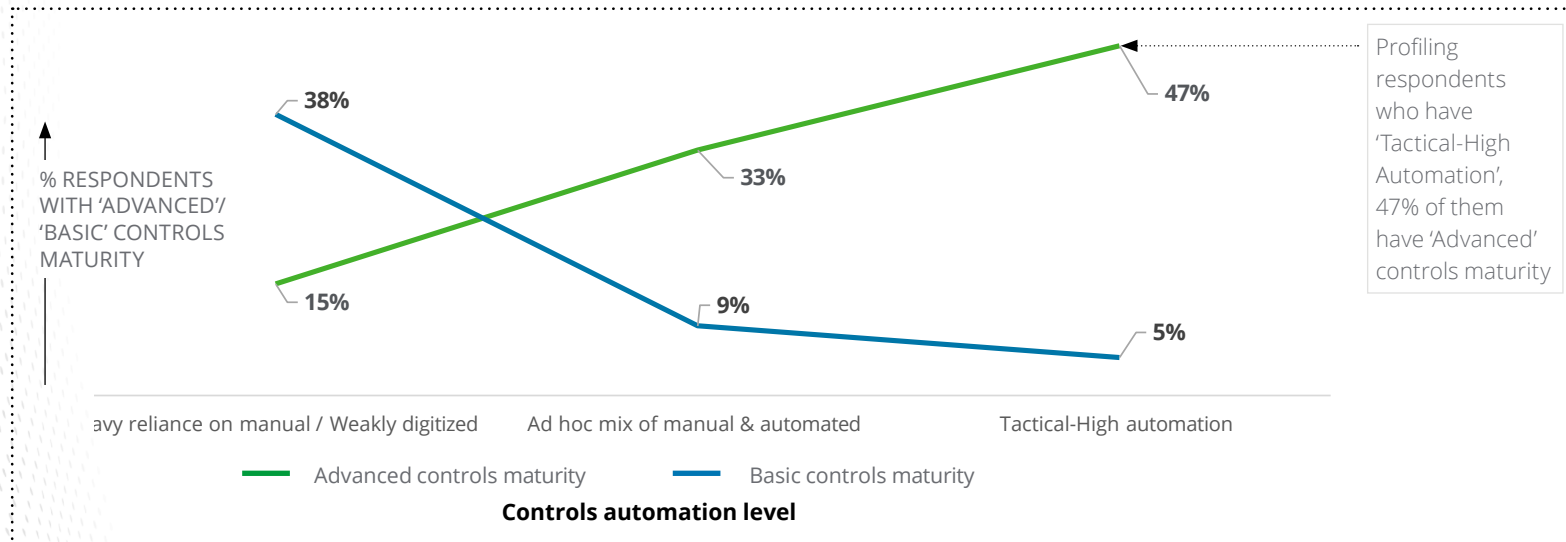
What are the main obstacles to digitalize your internal control framework and what percentage of activities your control activities are automated?



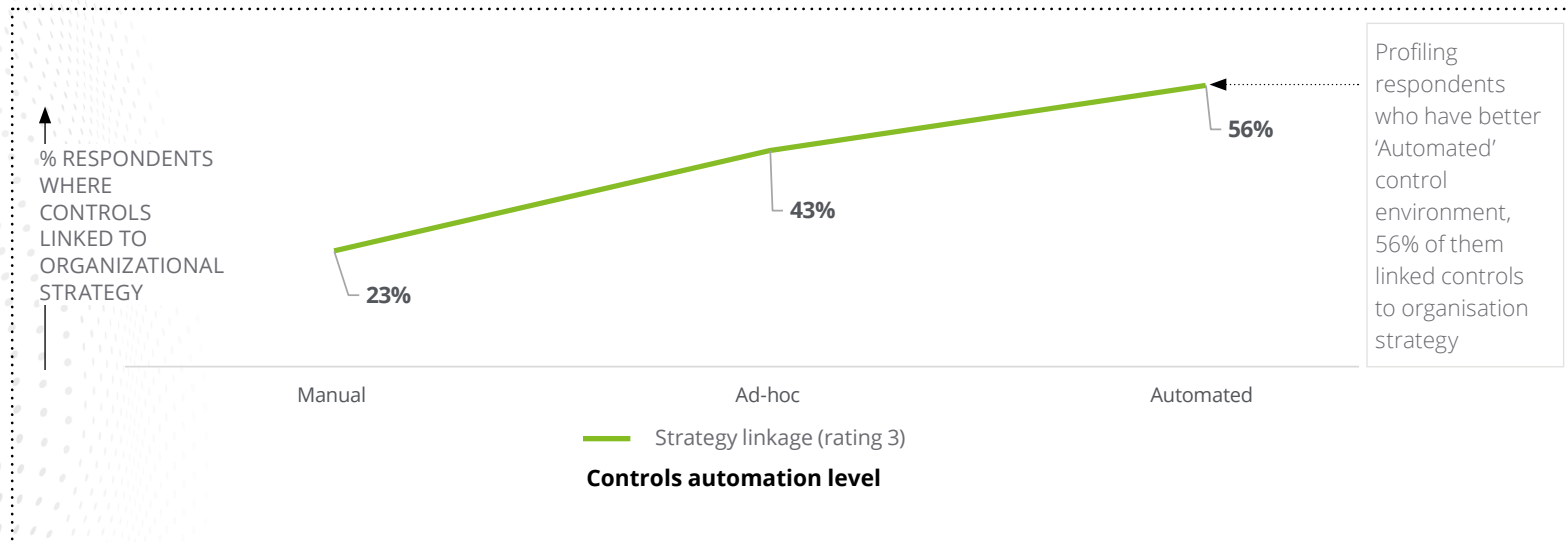
% voting as #1 obstacle

Controls technology, automation and digitization

7. Higher controls automation drives higher controls maturity



8. Aligning controls with organisational strategy supports improved automation of controls

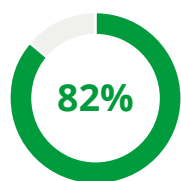


Controls monitoring and assurance framework

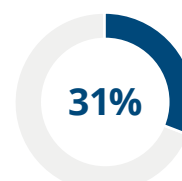


Controls monitoring and assurance framework

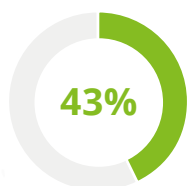
Key takeaways



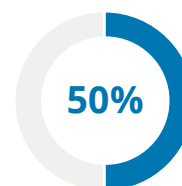
of respondents stated that external audit rely on their internal control environment to support their opinion



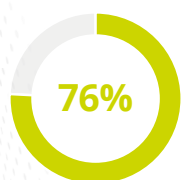
have an advanced / matured level of risk & control monitoring indicators



of organisations perform internal control effectiveness testing more than once per year



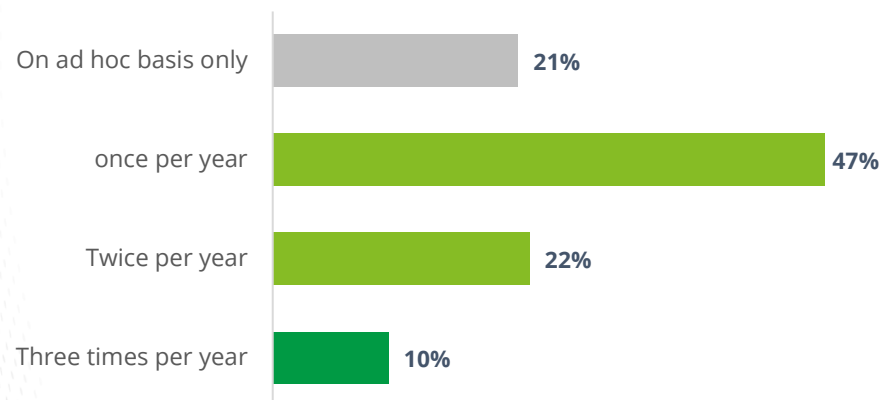
of respondents are satisfied with the traceability of control results (sufficient and reliable monitoring activities)



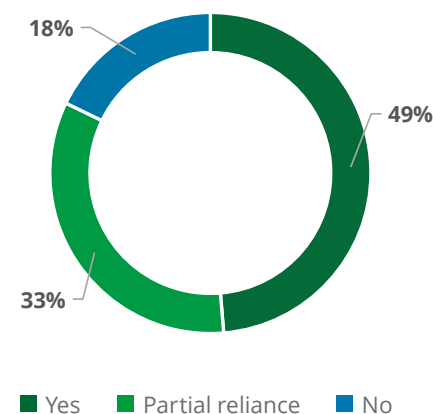
stated an increased level of controls assurance effort in the last 12 months

Controls monitoring and assurance framework

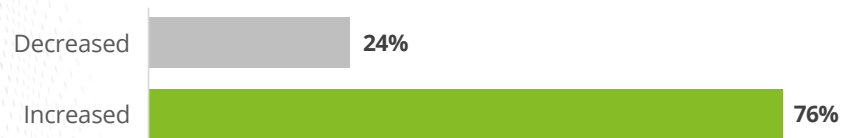
What is the frequency of the internal control effectiveness testing in each Financial year?



Does your external auditor rely on your internal control environment to support their opinion?



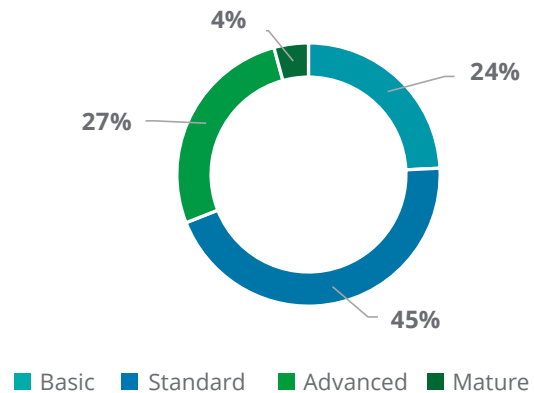
In the last 12 months, has your organization increased or decreased the level of controls assurance effort?



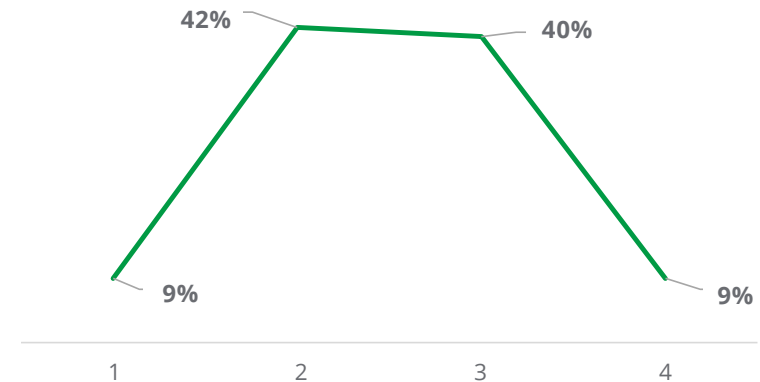
Increased controls effort (Due to a deficiency, identified control gap, process change)

Controls monitoring and assurance framework

What is the level of maturity of your risk and control monitoring indicators?

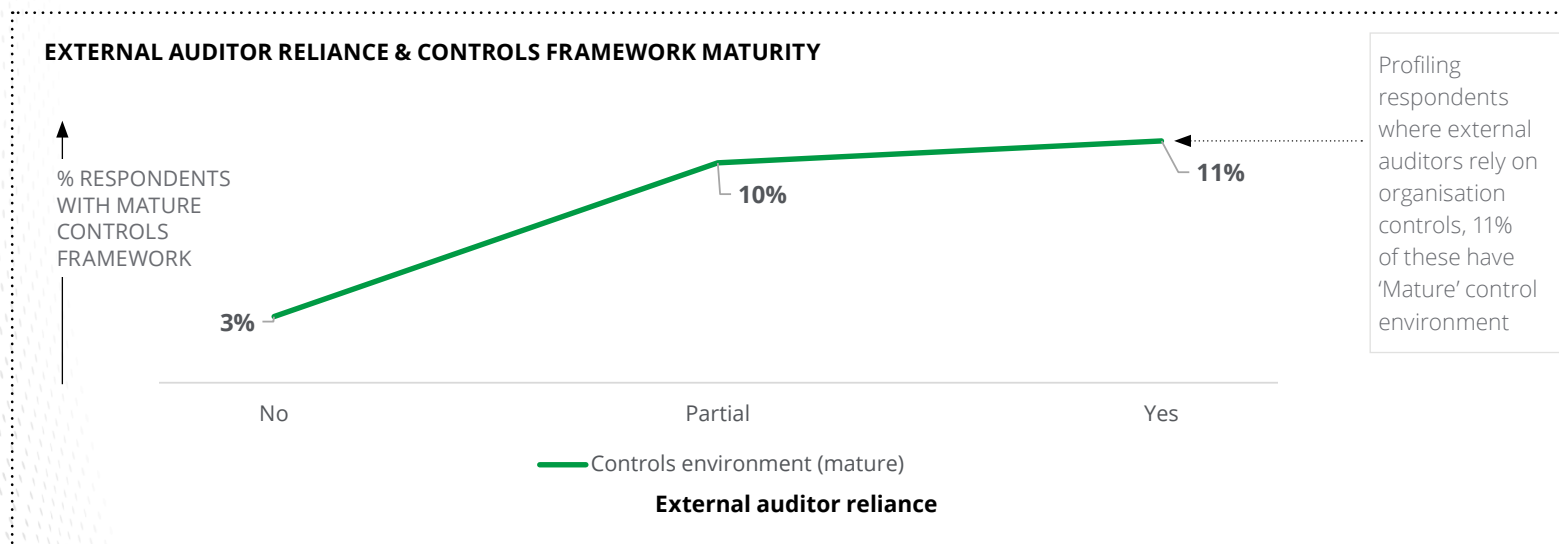


Do you think the traceability of control results is sufficient and reliable to monitor activities?

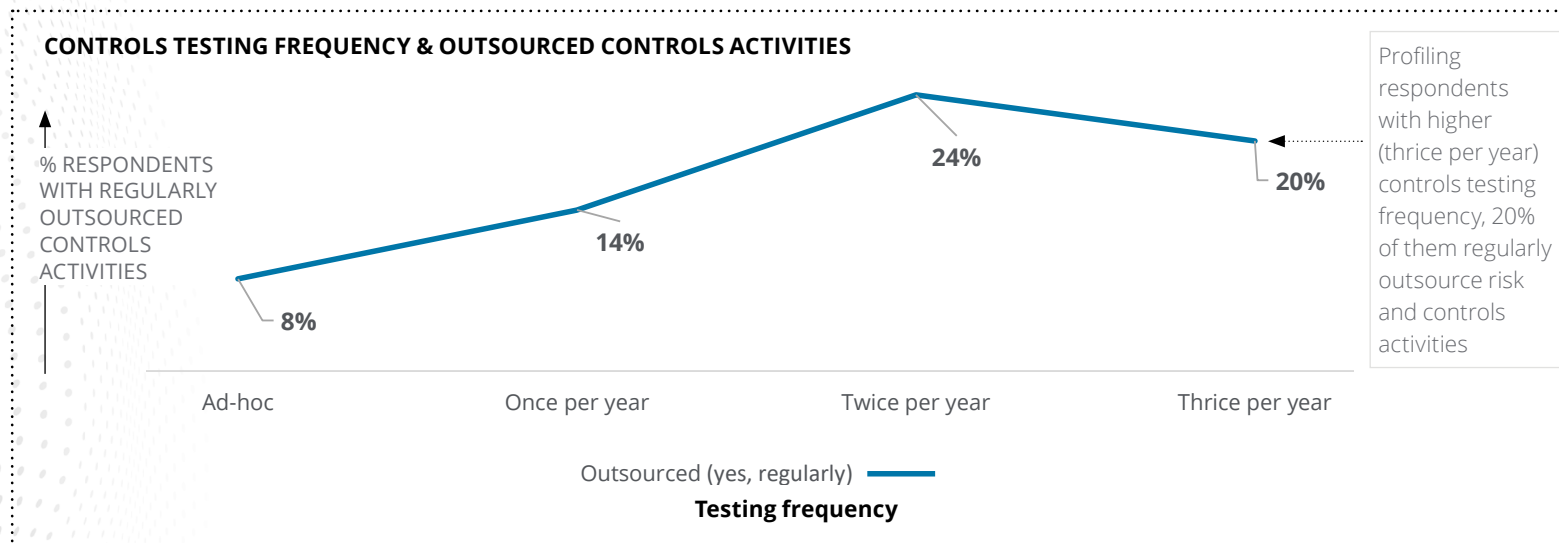


Controls monitoring and assurance framework

9. Elevated External Auditor reliance on management testing is linked to controls maturity



10. Co-sourced/Outsourced controls function supports efficiency in controls testing



Survey demographics



Survey demographics

Number of
participants

609

Revenue bucket

< \$5m	10%
\$5m to \$50m	10%
\$50m+ to \$100m	6%
\$100m+ to \$500m	15%
\$500m+ to \$1bn	10%
\$1bn+ to \$10bn	23%
> \$10bn	26%

Industry sectors

Consumer Business	16%
Energy Resources & Industries	33%
Financial Services	14%
Government and Public Sector	3%
Life Sciences & Health Care	6%
Technology, Media & Telecommunications	12%
Other	16%





Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited (DTTL), its global network of member firms, and their related entities (collectively, the “Deloitte organization”). DTTL (also referred to as “Deloitte Global”) and each of its member firms and related entities are legally separate and independent entities, which cannot obligate or bind each other in respect of third parties. DTTL and each DTTL member firm and related entity is liable only for its own acts and omissions, and not those of each other. DTTL does not provide services to clients. Please see www.deloitte.com/about to learn more.

Deloitte provides industry-leading audit and assurance, tax and legal, consulting, financial advisory, and risk advisory services to nearly 90% of the Fortune Global 500® and thousands of private companies. Our people deliver measurable and lasting results that help reinforce public trust in capital markets, enable clients to transform and thrive, and lead the way toward a stronger economy, a more equitable society, and a sustainable world. Building on its 175-plus year history, Deloitte spans more than 150 countries and territories. Learn how Deloitte’s approximately 457,000 people worldwide make an impact that matters at www.deloitte.com.

This communication contains general information only, and none of Deloitte Touche Tohmatsu Limited (DTTL), its global network of member firms or their related entities (collectively, the “Deloitte organization”) is, by means of this communication, rendering professional advice or services. Before making any decision or taking any action that may affect your finances or your business, you should consult a qualified professional adviser.

No representations, warranties or undertakings (express or implied) are given as to the accuracy or completeness of the information in this communication, and none of DTTL, its member firms, related entities, employees or agents shall be liable or responsible for any loss or damage whatsoever arising directly or indirectly in connection with any person relying on this communication. DTTL and each of its member firms, and their related entities, are legally separate and independent entities.

©2024. For information, contact Deloitte Global.