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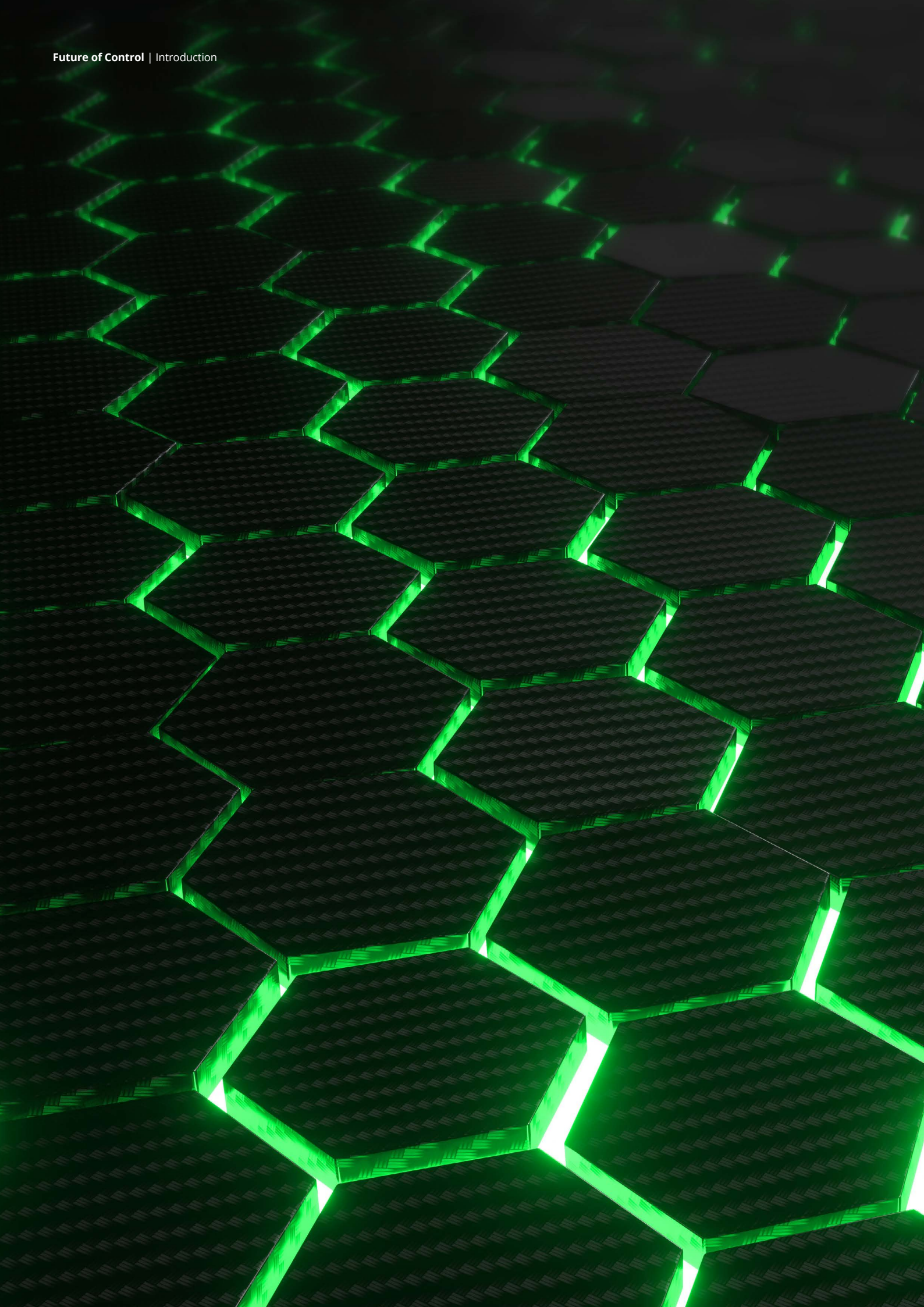


## Future of Control

Today's Vision -  
Tomorrow's Reality



MAKING AN  
IMPACT THAT  
MATTERS  
*since 1845*



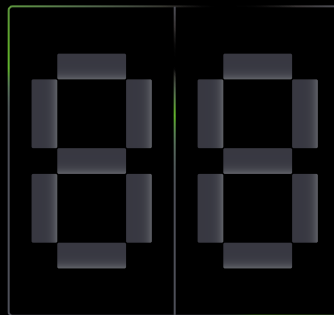
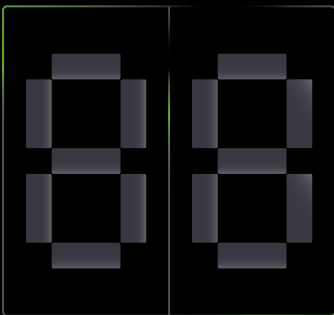
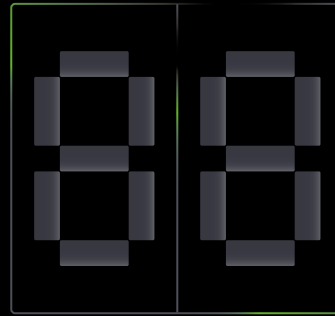
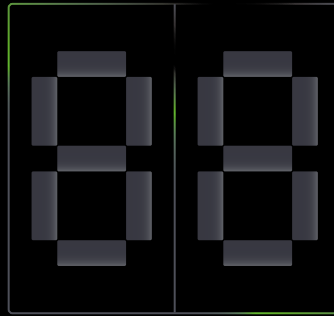
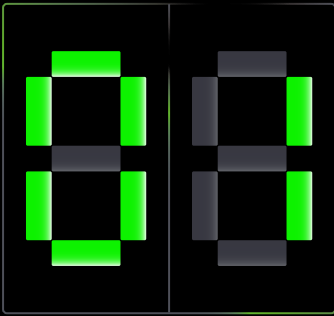


# Introduction

Now more than ever, the business landscape is fast-changing, disruptive and volatile ... this is The Next Normal.

We want all our clients to be in control of their business and future proofing their business as many organizations experience controls that have remained static. Now is the time to challenge this and ask why the same advanced technologies and ways of working that are used to enhance customer experience aren't being used to enhance operational processes.

That's where the Future of Control comes in. A series of thought provoking articles to shape how organizations use technology to operate and assure controls, re-shaping control operating models to be more resilient and improving traditional approaches to risk.



Current State

The concepts of risk management, internal control and assurance are fundamental to good governance and also good business. However that does not mean the approach taken should be static – current and emerging technologies should play a key role in the governance of an organization.

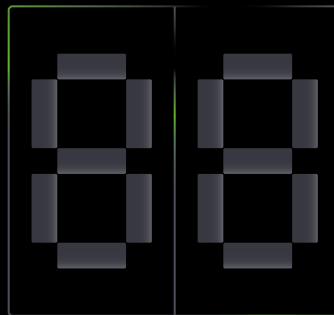
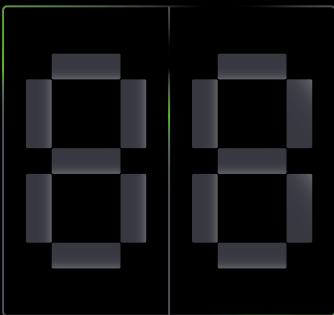
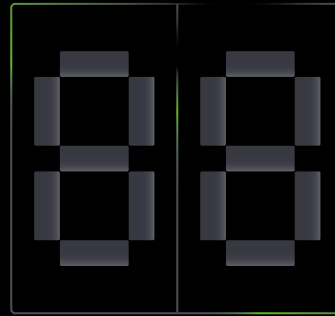
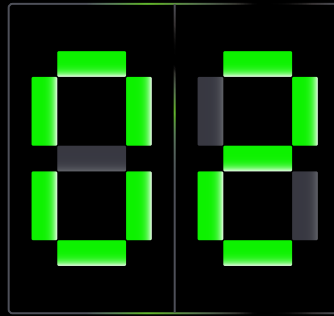
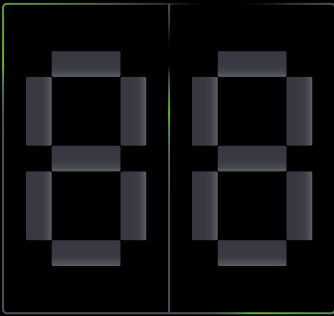
Whilst the theoretical basis for a strong control environment has been in place for a long time (e.g. the COSO framework), how we implement and execute

controls should not standstill – we need to continuously innovate and push boundaries to gain a competitive advantage.

Unfortunately many organizations are of the view that having set up a framework for risk management, internal control and assurance in the past means the job is done – this is not the case. Indeed there are a number of disadvantages to the control environments we often see at organizations, as follows:

Characteristic	Disadvantage
<b>Manual (limited technology)</b>	In today's fast moving world it is inefficient and ineffective to have a manual control environment
<b>Informal and undocumented</b>	Without formalization and documentation this will reduce the discipline and conformance across the organization and the control environment
<b>Decentralized controls (silos)</b>	A control environment with too many control silos will be prone to error and breakdown
<b>Based on old processes (not changed)</b>	An efficient control environment is based on the most efficient and effective controls, not just turning the handle on old ways of working
<b>No overall framework</b>	Without an overall framework the activity across the three lines of defense will not be coordinated and effectively integrated (e.g. consistent risk taxonomies)
<b>No clear link to risk</b>	Without a clear link to risk the value of governance activity is also not clear, or worse is misdirected
<b>No key controls definition</b>	Within the wider control environment the "must do" controls need to be clear to ensure an enhanced level of assurance
<b>Limited real time monitoring of control environment</b>	Change is a fact of life and controls need to be monitored in a real time manner to catch problems early
<b>A focus on financial controls</b>	A control framework that does not address the operational controls will be prone to failure in important areas of the business
<b>Poor quality data</b>	Without consistent and complete data stored on the right systems, the scope for analysis, analytics and automation will be limited

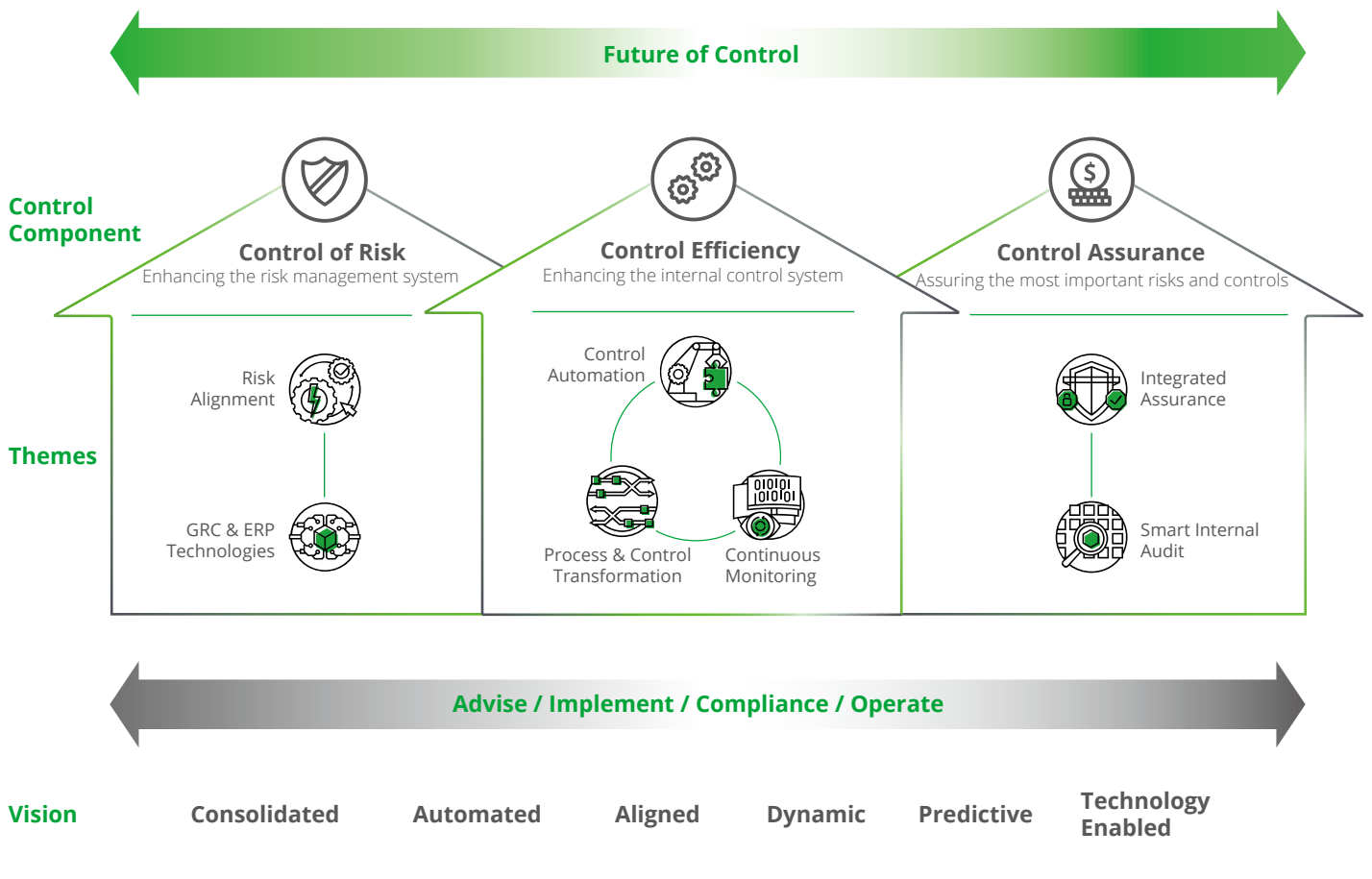
Executives are under more personal scrutiny and pressure than ever before due to the impact of control failures (e.g. data breaches) on their organization and the strain that responding and recovering from Covid-19 has put on the control environment. Therefore now is the time to act and invest to prevent future failures, build resilience and drive efficiency.



# Future State Vision

The Future of Control is a set of automated and technology enabled controls, which have been developed to respond to the risks and risk appetite of the organization. These same controls are monitored on a real time basis to provide assurance and spot problems early.

This vision for the Future of Control is summarized in the diagram below:



The key characteristics can be further expanded as follows:

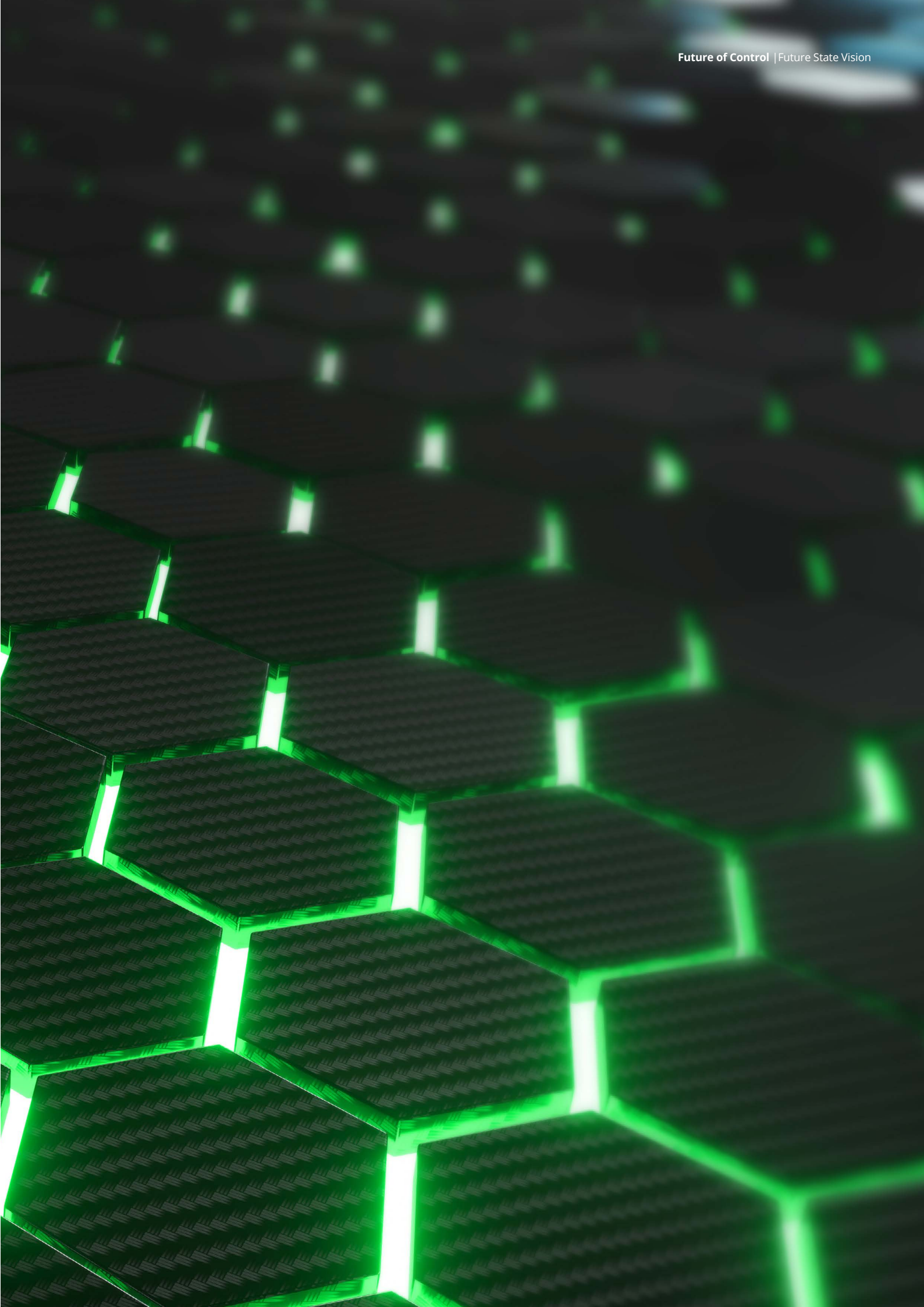
- **Consolidated:** A control framework that cuts across an organization and does not operate in silos
- **Automated:** A focus on automated controls to reduce the risk of human error
- **Aligned:** Controls that relate to the risks and risk appetite of an organization
- **Dynamic:** A control environment that keeps pace with an organization in a period of rapid change and uncertainty
- **Predictive:** Controls that identify where potential breakdowns may happen, rather than looking back at problems
- **Technology enabled:** Technology at the heart of the control environment rather than an add on

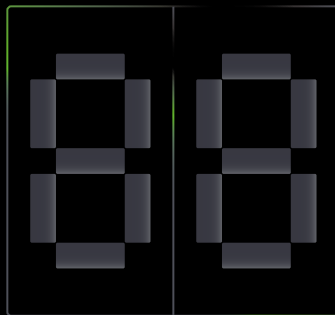
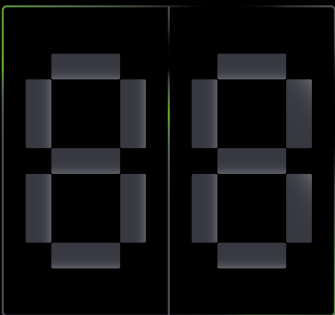
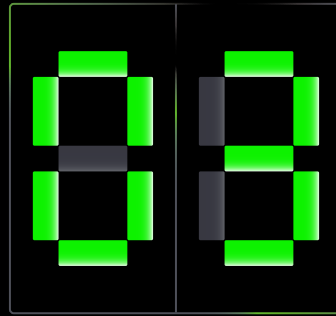
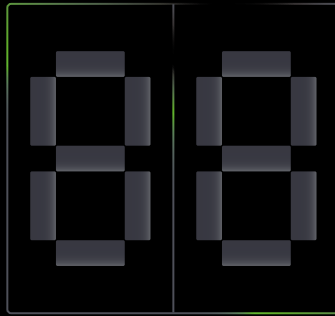
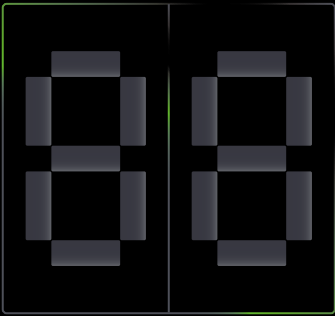
The overall benefit is a resilient control environment that is both cost effective but also drives competitive advantage through:

- **Identifying issues early:** Organizations sadly spend huge sums in responding to control breakdowns after the event, when early warning of issues could have led to quick resolution.
- **Laser focus on value adding activity:** The above characteristics will drive an approach based on what works and adds value, addressing frequent criticism of governance activity as poor value for money.
- **Reputational protection:** An organization can be taken to the brink through reputational damage, however these can often be traced back to a control breakdown.

The three lines of defense will still be at the heart of this future state vision. However this will be a control environment where the integration and co-ordination of activities between the lines of defense will be seamless. For example risk and control language that is common across the organization. This will eliminate duplication and ensure that all governance activity and spend is for a clear and value adding purpose.

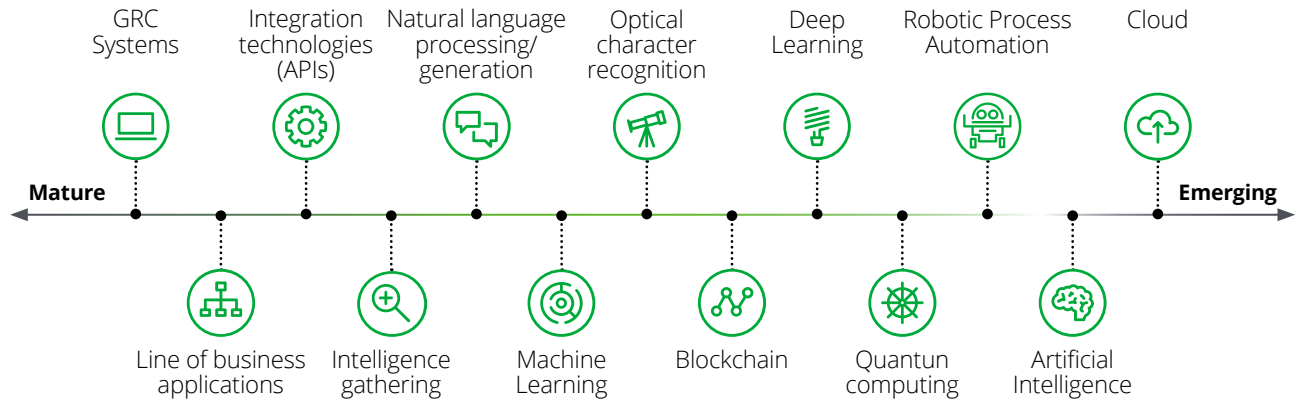




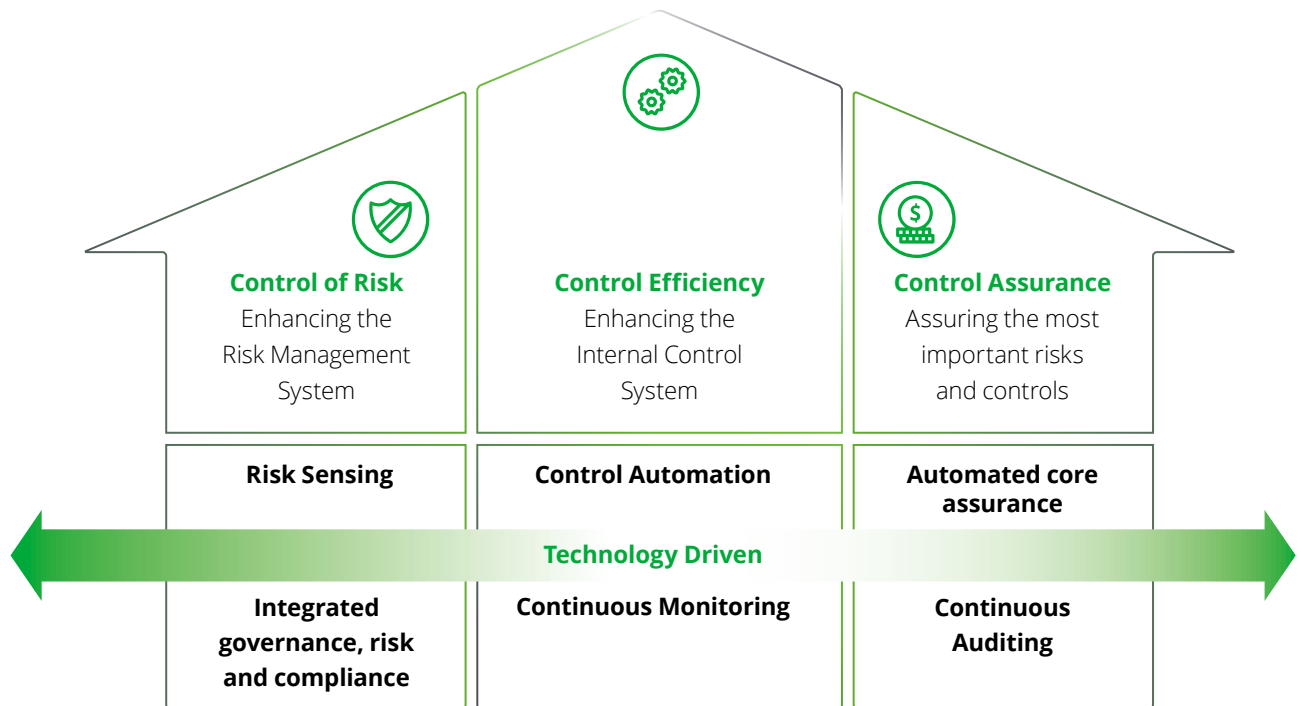


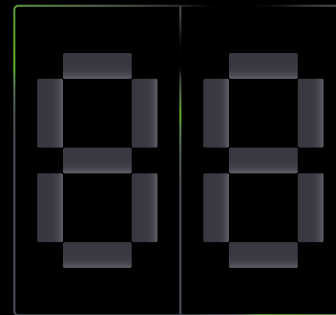
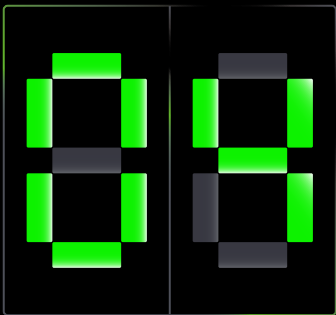
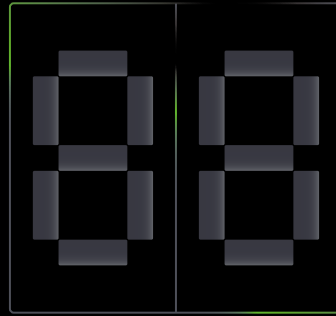
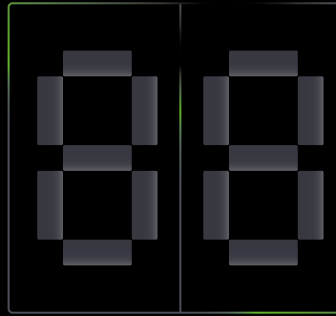
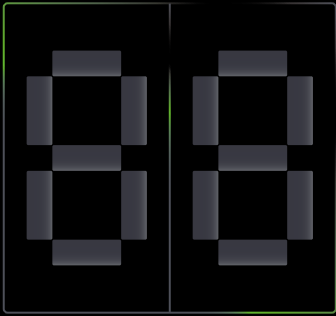
# Role of Technology

The technology used in organizations continues to advance and progress:



Therefore risk, control and assurance functions must embrace similar technologies to be able to keep up and effectively fulfil their role. There is a key role for technology within each part of an organizations governance framework, as shown in the diagram below:




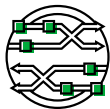







# Exploring the Themes



The framework that we introduced earlier in this document, includes 7 themes. The table below explains each of the themes and what they mean for your business:

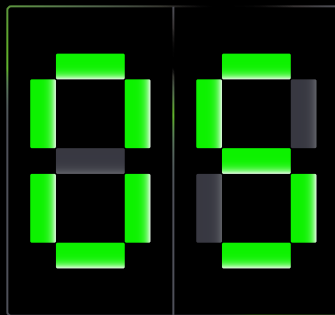
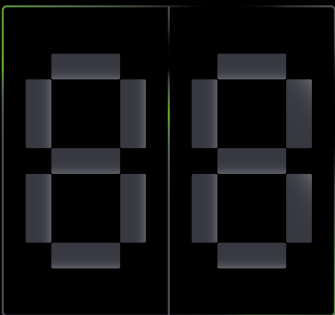
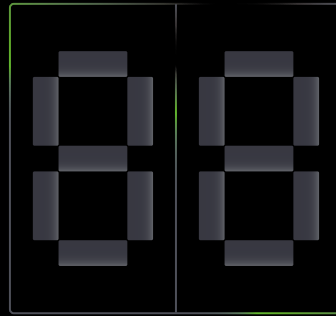
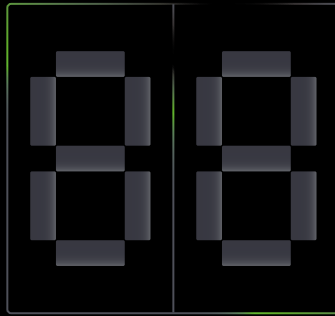
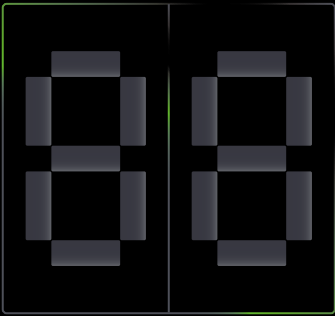
Control Component	Theme	Summary
Control of Risk	 <b>1# Risk Alignment</b>	The use of risk sensing and how to align the control environment to risk (and emerging risk)
	 <b>2# GRC &amp; ERP Technologies</b>	The tools and technologies that can be used to support the full spectrum of governance, risk and compliance activities. Including the controls aspects of ERP implementations.
Control Efficiency	 <b>3# Control Automation</b>	The automation of controls as part of controls transformation (including RPA)
	 <b>4# Continuous Monitoring</b>	The use of analytics and tools to monitor the operation of controls as part of a predictive dashboard
	 <b>5# Process &amp; Controls Transformation</b>	The use of Digital tools and techniques, such as process mining to understand and then transform existing processes & controls
Control Assurance	 <b>6# Integrated Assurance</b>	Improving the efficiency and effectiveness of assurance over the 3 lines of defense
	 <b>7# Smart Internal Audit</b>	The use of Digital tools as part of obtaining assurance and the provision of assurance over digital risk, such as RPA processes

As part of this series exploring the Future of Control, we will deep dive into a number of the above themes, for which Deloitte have a range of solutions and tools. For example:

i) Risk sensing platform to proactively identify contract risks;







ii) Tools to support the identification of system access risks; and

iii) Automated solution for cash flow monitoring and management.



How can  
Deloitte help?

The first step is to consider if you are ready for the Future of Control. You can do this by asking the following questions:

-  Does technology play a central role in your control environment?
-  Do you have a clear view of your most important risks and how they are likely to change going forward?
-  Is your system of internal controls formal and documented?
-  Are your controls automated as much as is possible?
-  Is there clear co-ordination between the Risk, Controls and Internal Audit teams?
-  Do you have dashboards that flag issues real time based on the use of analytic tools?

At Deloitte we have a wealth of experience in helping organizations on their governance enhancement journey.

It is now time to act and transform the governance of organizations to move away from traditional approaches to enable them to survive, build resilience and thrive in The Next Normal.

## Contacts

For further information on this publication please contact Deloitte China Risk Advisory at:  
[RAMN@deloitte.com.cn](mailto:RAMN@deloitte.com.cn)



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