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Controls are a thing of beauty
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The "makeup" of controls

Controls are the lifeblood of a company. They mandate how processes are done – keeping the company compliant with regulations, reducing its overall risk posture and enhancing business performance. Controls are an integral part of the process and govern everything from how expenses are approved, to how data is backed up, to how suppliers are identified and paid.

For organizations, properly implemented controls reduce risk and enhance efficiency. For employees, controls tell "how things are done," "how they add value," so workers are always doing the right thing. But controls require oversight. For big organizations, in particular, controls can go stale quickly. For example, new products, partners, and offices can strain the validity of controls, and mergers and acquisitions (M&A) can mean the introduction of new risks that have to be mitigated to keep overall risk exposure to a minimum. This makes controls challenging for large organizations, where change occurs constantly.

Looking in the mirror to assess internal controls operating in this exact volatile risk landscape, a multinational consumer goods company sought to update its controls environment to accommodate these risk factors and prepare for a successful future. As one of the largest consumer goods companies in the world – whose beauty, well-being, and personal care; food; home care, and other products are used by billions of people every day – the company needed to be agile to meet evolving customer and stakeholder needs. Looking to create an optimal, performance-driven controls environment, the company turned to Deloitte as a trusted advisor.

Challenges and goals

The consumer goods company recognized the value of internal controls and wanted to address inefficiencies in its controls environment.

"We were aware that over time, as a reaction to SOX [The Sarbanes-Oxley Act around financial reporting] and audit findings, we continued to add controls to frameworks to mitigate risks," the company's global risk and controls director said. "We got into the habit of creating controls to address risks, but not actually identifying their root cause."

In addition to being repetitive, new controls were often manual ones – eating up time and introducing the potential for variance, errors, and inefficiencies. And with "piecemeal" controls frameworks, technologies, and approaches, the company found its business was operating controls in silos, making it harder to gain visibility into the overall health of controls and attain centralized risk oversight.

Plus, having acquired more than 20 companies over the last five years – in industries like personal care, beauty, home care, nutrition, and food/desserts – the consumer goods company found that the acquired businesses often had less mature controls environments and finance systems, and needed a more pragmatic framework. This made integrating these organizations into the company a challenge.

Collaborating with Deloitte, the company sought to move to the future of controls: creating an integrated framework and bringing greater efficiency and automation.

"About three years ago, we recognized the growing need to enhance our risk and controls function, so we built up a new team to help us achieve our goals," the risk and controls director said. "But with the team being so new, we needed the expertise of an experienced outside party, with fresh eyes on the work we were doing."

The company outlined goals it wanted to achieve with Deloitte:

- Maximize controls automation and centralization

- Provide end-to-end management of the controls lifecycle

- Create a positive controls culture within the organization

"About three years ago, we recognized the growing need to enhance our risk and controls function, so we built up a new team to help us achieve our goals"

The case for deep change (that's more than cosmetic)

Before embarking on a future of controls journey, senior leadership and other stakeholders at the organization needed to see the value of it and why the status quo wouldn't serve the business well over the long-term.

"Deloitte helped us build the case for change," the risk and controls director said.

Ani Sen Gupta, the lead Deloitte partner on the project, noted: "It's important to demonstrate the value of controls, which will allow your processes to be more efficient, effective, and resilient. In our engagements, we applaud clients on what they're doing well while sharing how and why we're going to leverage those pieces to improve other aspects of the controls framework."

Together with the company, Deloitte outlined success factors for the project based on goals the company wanted to achieve. These success factors included:

- **Significantly reduce the effort involved to deliver controls operations and assurance** by achieving **70%+ automation across its controls.** This would allow the company to implement controls more efficiently and accurately and free up personnel to focus on more strategic activities.

- **Achieve a 20% reduction in the cost per control** by rationalizing and removing duplicate frameworks, leveraging technology, and implementing automation.

- **Move from a more reactive controls posture to a proactive one,** with robust monitoring and analytics that address the risk landscape proactively and uncover the "why" behind aberrations. Data-driven vigilance tightly aligns to business priorities.

- **Proactively manage risks** with an integrated approach to controls across acquired businesses that provides end-to-end controls management.

- **Enhance the user experience** across the controls operating model.

- **Bolster the positive risk and controls culture** across the business. The case for deep change (that's more than cosmetic).

"It's important to demonstrate the value of controls, which will allow your processes to be more efficient, effective, and resilient."

A solution that feels and looks good

Deloitte and the company looked "under the hood" at the controls program to identify inefficiencies and opportunities for positive change. Together, they put action items in place to achieve the company's goals and create a single, integrated global controls framework.

Six key workstreams were established to drive the future of controls program:

- **Controls re-baselining:** Implementing a proportionate risk-based controls framework and addressing and eliminating redundancies.

- **Future-fit IT controls:** Creating an integrated IT controls framework and operating model to drive proactive risk management across the IT system lifecycle. This included creating a technology roadmap to align on a set of tools that supports centralized, end-to-end, and insights-driven risk and controls management.

- **Controls organization design**: Defining the required controls to support change management and implementation of the re-baselined controls framework.

- **Controls monitoring:** Monitoring compliance of automated controls proactively across different systems.

- **Controls analytics:** Implementing smart control analytics, reducing time, and enhancing quality of controller reviews.

- **Controls assurance:** Bringing inefficiencies and adopting one consistent approach supported by technology across financial and IT SOX controls testing.

Controls are a thing of beauty

A solution that feels and looks good

A big focus of the program is to foster a positive controls culture – clearly and consistently communicating the "why" behind controls to illustrate how they benefit the business and its people alike.

"We've built a culture around helping people," the company's risk and controls director said, "and we show how controls tie into that. Plus, we make it fun."

The director added that the company has taken a multifaceted approach to creating buy-in from the rank-and-file for the Future of Controls project. In addition to delivering eLearning modules on risk and controls processes, the company works with Deloitte to host an annual Olympiad across its geographic offices, with simulations, online board games, and competitions to see which team can demonstrate the greatest risk and controls prowess.

The makeover's results

The company started by setting clear design principles for the controls framework and the operating model. The design principles formed the foundation of re-baselining the controls framework – ensuring transparency, proportionality, agility, effectiveness, sustainability, and efficiency for each control designed to mitigate the key risks.

The controls operating model design principles covered five key aspects – including clear definition and alignment with the three lines of defense model: a first line of ownership and accountability, a coordinated second line covering the various risk domains and business partnering; and, as a third line, the provision of world-class assurance services.

Deloitte started with the "Source to Pay" process (a process that finds, negotiates, and pays business partners) as the pilot area for re-baselining the controls framework and establishing the monitoring framework. The pilot was a huge success and exceeded the success criteria set for the project:
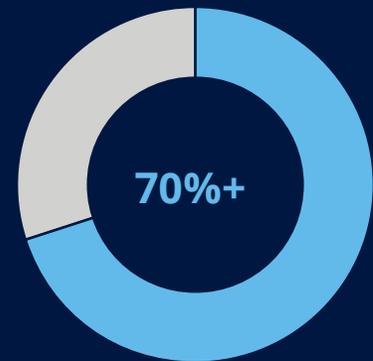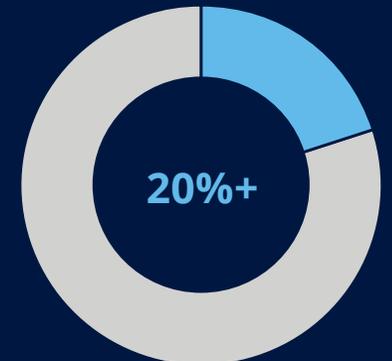

70%+	30%	85%	20%+
70+% control activities automated	Rationalize/streamline **30%** of controls	**85%** preventative controls to address the risk at the source	**20+%** reduction in total effort per control
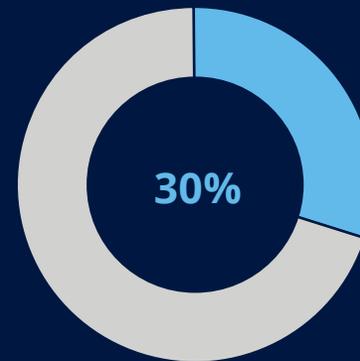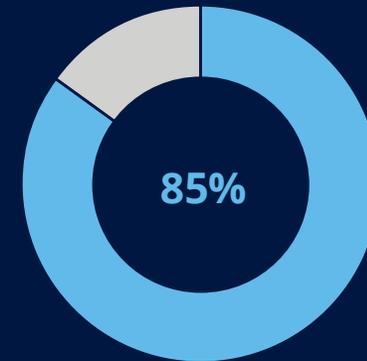
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The makeover's results

Working with IT, cyber, and IT general controls teams, Deloitte helped establish an integrated IT controls framework by bringing additional expertise in the form of subject matter experts to each pillar of the project. The key features delivered included:

One integrated framework, derived from three separate frameworks and 12 cyber standards	Rationalization/ streamlining of **50+%** of the as-is controls	**29+** reduction in overall total number of controls	**85+%** automated controls	**75+%** preventative controls to address risk at the source
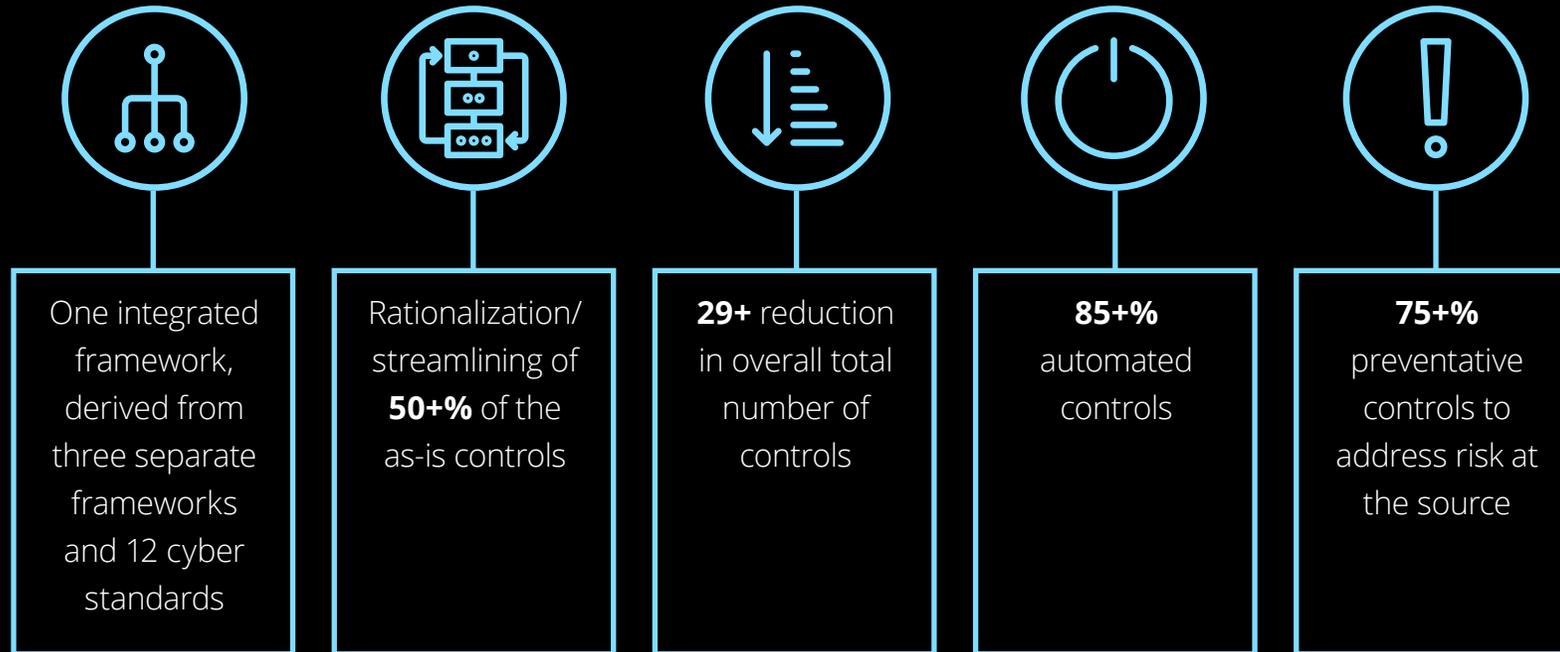
Charlie Gribben, Deloitte Technology lead partner, noted: "Through delivery on the IT integrated framework we ensured all controls covered a real risk to the organization, harmonizing risks and controls across IT SOX, security and IT operations. We identified opportunities to optimize controls through 78 being redundant or duplicative, 45 with opportunity to automate and addition of new controls to address gaps in the organization's risk coverage. Working across the IT landscape we were able to also identify where controls were being duplicative in their operation to try to reduce the burden and cost of control while increasing scope and risk coverage."

The makeover's results

Additionally, Deloitte was able to provide an enhanced user experience by helping the company create a cross-functional risk and controls program that improves controls visibility and risk management and serves as a "single source of truth."

"The business considers risk and controls in every project they do," said Lindsay Ashton, senior manager of Deloitte. "Plus, the company was already very forward-thinking with its controls program. We worked together to take an area that can be overlooked and built it into their culture to make the topic more exciting and relatable."

The journey continues, but the successful pilot projects have allowed business to believe in the program and helped to reaffirm senior management commitment for the program.

"Achieving these success factors is great for our business," the risk and controls director said. "And importantly, the improvements will make a fundamental difference to the people operating the controls and implementing the frameworks. Our goal is to make their lives easier with simpler, effective processes and seamless integrations."

The risk and controls director urges companies to think beyond the technical aspects of controls and take a more holistic view by considering the people who the controls ultimately affect. "By leaving lines of communication open between risk leaders and those operating the controls, we can solve their problems, achieve business objectives, and build a strong, supportive culture all at once."

"And importantly, the improvements will make a fundamental difference to those operating the controls and implementing the frameworks. Our goal is to make their lives easier with simpler, effective processes, and seamless integrations."

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