



## Optimising Financial Controls

Internal Controls over Financial Reporting  
Considering the Corporate Governance Code



## Increasing demand is being placed on Financial Controllers to reduce costs, deliver faster, more accurate financials and leverage big data and analytics through efficient and effective Internal Controls over Financial Reporting (ICFR).

The 'UK SOX debate' has shone a light on extensive current requirements of the UK Corporate Governance Code (UK Code): a recognised framework and ongoing evidence is needed for stakeholders, directors and their management teams to know controls are operating effectively. Many UK boards lack evidence that their controls are effective and instead rely on trust, taking false assurance based on a lack of contrary information. Financial Controllers should be thinking now about whether their own organisations are able to demonstrate that their controls are operating effectively.

Through effectively leveraging select technologies, such as BlackLine, finance can respond to these pressures, enhancing their control environment to benefit the business, meet the expectations of auditors and reduce the cost of compliance, releasing time and resources to focus on providing value added services to the business. A leading control environment embeds controls within end-to-end processes automated through technology built with controls at its core.

Together, Deloitte and BlackLine have worked to successfully deliver in excess of 150 BlackLine deployments globally, with an alliance relationship between Deloitte and BlackLine spanning over 10 years.

This has led to Deloitte developing a network of hundreds of BlackLine practitioners and our position as the leading BlackLine System Implementer globally.

The role of Deloitte extends beyond technology adoption, and includes core finance, control and change expertise to maximise the return on your investment and user adoption.

# Financial Controls Common Challenges



## **Governance**

Reliance on non-standardised manual controls, disparate systems and data sources, and limited management information regarding the status of risk mitigation and operating effectiveness of controls.



## **Transaction matching**

Manual processes and large volumes of data managed outside of a centralised system and ways of working resulting in potential misstatements and error due to incomplete or inaccurate matching.



## **Balance sheet integrity**

Poorly performed and cumbersome manual balance sheet integrity account reconciliation processes. Often with a lack of evidence retained and requiring manual reviews and sign offs required.



## **Intercompany**

Lack of consistent and controlled end-to-end processes resulting in accuracy, valuation and completeness issues and misaligned transaction posting. Overly complex and high level of effort required in elimination and consolidation.



## **Audit**

Increased risk of failure of manual, non-standardised and decentralised controls. Resulting in increasing demands on businesses to support audits, increased risk of significant deficiencies or material weaknesses and ever-increasing cost of remediate audit findings.

# The BlackLine Solution



For over 10 years Deloitte has brought in depth experience of ICFR implementation, transformation, digitisation and automation, coupling this with BlackLine's enhanced financial automation software. Enabling organisations to manage risk in the record to report and financial close processes and minimise the risk of control failure and non-compliance.

BlackLine's digital platform supports businesses in addressing these risks via automation, standardisation, embedded controls and defined workflows. Whilst delivering the visibility, traceability and segregation of duties necessary to drive more efficient and effective controls and meet the expectation of auditors and regulators.

This alliance and approach to ICFR is proven in multiple markets globally, including the UK, to enable businesses to better prepare for the challenges of implementing efficient and effective controls and readiness for any potential enhancements to the Corporate Governance Code.

## What is BlackLine?

BlackLine is a cloud-based financial operations management platform that helps organisations move to modern accounting by unifying their data and processes, automating repetitive work, and driving accountability through visibility.

BlackLine provides solutions to manage and automate financial close, accounts receivable and intercompany accounting processes, helping large and midsize organisations across all industries complete accounting processes faster and with more efficient and effective controls.

BlackLine has consistently been recognised by Gartner as the industry leader in cloud financial close solutions and is the only financial close solution recognised by SAP as an official solution extension.

# BlackLine Solutions for Financial Close Management



## Core

Focused on delivering the most value in the shortest amount of time. Essentials required to improve visibility across close tasks and automated reconciliations.



## Task Management

Improve visibility and execution by centralising the allocation of control responsibilities and establishing dependencies and accountability. Enable real-time dashboard reporting of global close and compliance status.



## Account Reconciliations

Deliver more reliable and robust financial results by automating the end-to-end account reconciliation process. Embedded controls and automated, rules-based workflows enable touchless certification and ensure audit readiness.



## Variance Analysis

Discover discrepancies and fluctuations in balances quickly through automated alerts and timely notifications for when further action is required.



## Integrated

Two-way data integration enables BlackLine processes to be automatically updated and visible in your technology ecosystem.



## Transaction Matching

Match and reconcile high-volume data across multiple systems and datasets with business rules to rapidly identify and resolve or explain exceptions. Flexible partial and suggested matching capabilities help reduce the volume of exceptions and manual processing.



## Journal Entry

Automate manual journal initiation, approval and posting with a transparent audit trail and native integration with reconciliations, tasks and transaction matching.



## Compliance

Close the gap between control performance and attestation and unify all compliance documentation, projects and stakeholders in one globally accessible, cloud-based system to maximise visibility.



## Optimised

Within your connected ecosystem, BlackLine helps fine-tune finance and accounting processes including intercompany financial management.



### Smart Close

This is a native solution for SAP. Automate SAP tasks, job scheduling, execution, monitoring of close tasks, and outcome verification and escalation; a robotics-led approach to the close.



### Intercompany Hub

Manage and control the complexity inherent to intercompany accounting. Issues over currency exchange rates, transaction amounts, transfer pricing mark ups, journal entry creation, invoicing and approval workflows are neatly and automatically managed within the solution.

## Platform features

### Industry leading security

State-of-the-art security ensures customer data is protected – BlackLine is the only ISO27001 Certified Financial Close Platform. Security controls are validated by achieving internationally recognised auditing standards SSAE 18 / ISAE 3402 SOC 1 – Type II, SSAE 18 / ISAE 3000 [Revised] SOC 2 – Type II, ISO/IEC 27018:2019 and ISO/IEC 27701:2019.

### Global ERP Integration

BlackLine is ERP and systems agnostic, with the ability to work with any single system or multiple systems at once. It is a comprehensive financial controls and automation platform built on a single codebase and delivered anywhere via the Cloud.

### Enhanced insights, analytics & reporting

Centralise and standardise critical close and decision support data for accurate and timely decision-making. Unified dashboards and reporting provide a clear view into the status of the close to enable continuous optimisation.



# Deloitte, BlackLine and UK Code



## **The journey together**

Deloitte has developed a tried and tested approach to ICFR.

We are pairing this expertise with BlackLine's technology to support businesses in readiness journeys ahead of expected changes to UK code and leverage this regulatory change as an impetus to enhance the control environment and reduce the overall cost of control.

## **Financial Controllers and UK Code readiness**

The experience of many organisations upon the implementation of ICFR following regulatory change showed that the process to implement an efficient and effective control framework to meet new requirements took more time and effort than many expected.

Considering this, Financial Controllers, as critical members of the first line of defence for ICFR, have an important role to play in readying their businesses by considering the lessons learnt recently in multiple markets globally where regulatory change impacting ICFR has been implemented and getting ahead now.

Financial controllers should leverage the opportunities a strong control framework, supported by technology such as BlackLine, presents to enhance efficiency and effectiveness of finance processes and controls.

# Key consideration for Financial Controllers and their businesses



## **What opportunities does a control framework offer?**

Globally, increased regulatory scrutiny and focus given to the effectiveness of controls and enabled business to better empower management to manage their own risks. This has enabled Financial Controllers to strengthen the 'tone from the top' and in turn provides a chance to act as a catalyst for change and rethink the controls landscape. Digital tools, such as BlackLine, embedded into the control framework bottom-up provide greater assurance over the accuracy of their financial reporting data and enable businesses to detect fraud more effectively.



## **When does my business need to be ready and how long will it take?**

Although there are not yet confirmed dates, it is widely expected that some form of tighter controls regulation will become effective in the next couple of years within the UK. The FRC has also recently pointed out that companies applying the Corporate Governance Code should already be publicly reporting on their process to annually review the effectiveness of their material controls and any significant weaknesses. Organisations must understand, now, what level of effort and implementation is required to put in place evidence that controls are operating effectively. BlackLine coupled with the Deloitte approach to ICFR is a strong enabler to efficient and effective mitigate various risks across the record to report and financial close processes.



## **What activities should be prioritised when aiming to achieve effective internal controls?**

At a minimum, an effective internal control environment would require the identification of material risks and a mechanism in place to monitor and report against the controls that mitigate them. A critical first step is to undertake a controls gap analysis as the basis for understanding the

implementation efforts required to ensure the right internal controls are in place; and they are designed and operating effectively.



## **What documentation will be needed to evidence the control environment?**

Documentation and a clear understanding of the end-to-end risks, processes, and controls is essential for establishing an effective control framework. This is critical to ensure an internal control framework can be monitored effectively and meet regulatory reporting requirements. This means much more than just good documentation and evidence of the performance of controls and requires businesses to truly understand and illustrate the design of their control framework. In addition to BlackLine providing a single depository for evidence related to the processes and controls performed within the tool, adopting standardised approaches within a centralised tool minimises the scale of effort and cost required to implement and maintain process and control documentation and mapping.



## **How can Financial Controllers support implementation efforts to achieve compliance with a control framework?**

Financial Controllers are key individuals within the first line of defence for ICFR. They play a key role in achieving their business' compliance objects through strong the design, implementation, performance and monitoring of efficient and effective controls.

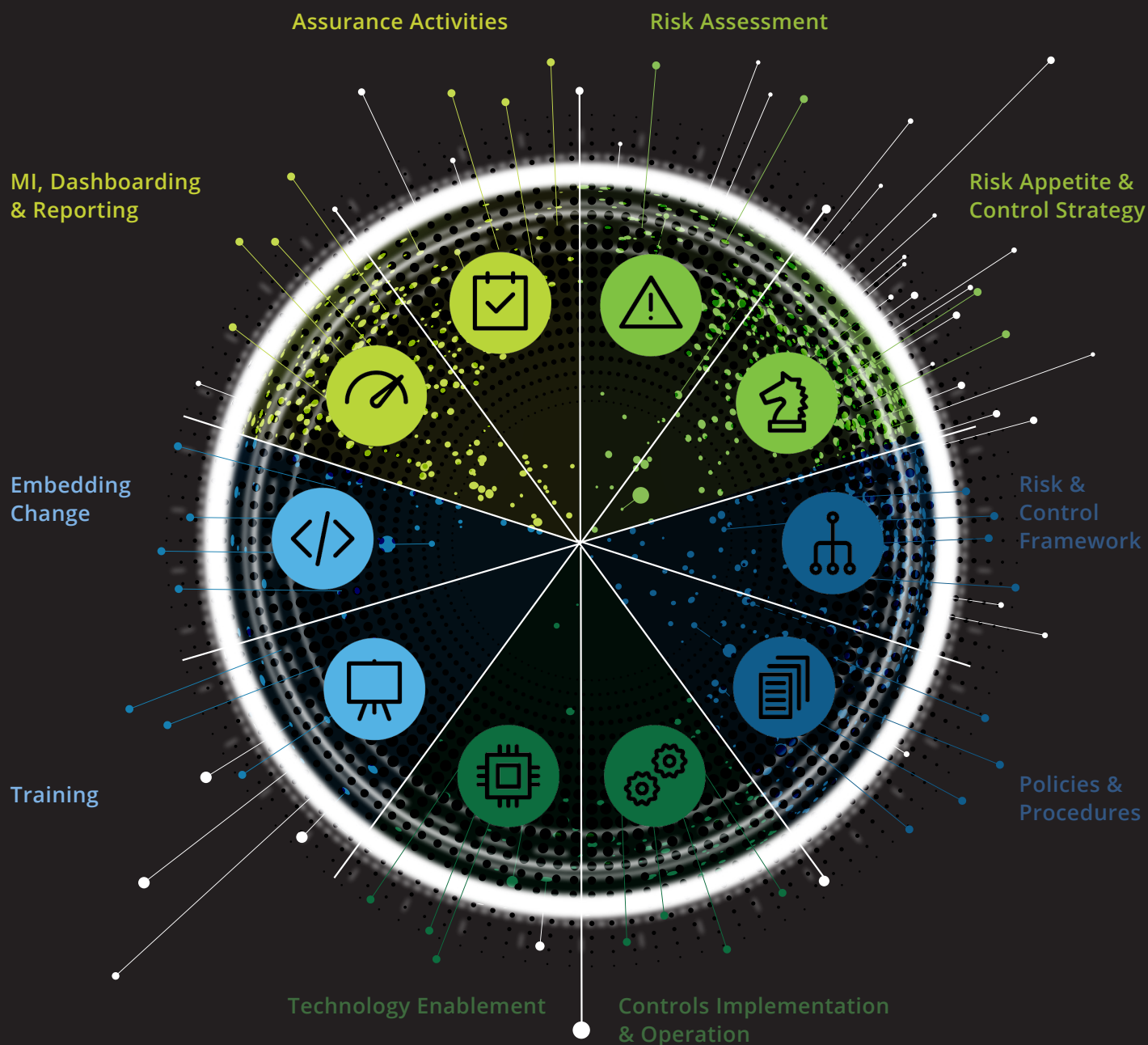
A robust approach to ICFR is essential in fully embedding changes achieve compliance within an internal control environment, whether that be in introducing new internal controls or enhancing those currently in place. Implementing tools, such as BlackLine within the record to report and financial close processes, supports Financial Controllers in achieving their compliance goals whilst providing their businesses with modern and cost-effective ways of performing audit ready controls.



# Deloitte Internal Controls Over Financial Reporting Approach

## Oversight & Governance

Board, Executives, Business Leadership, Regulators



## Target Operating Model

Strategy	Org Design	People	Technology	Data
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Over multiple years, Deloitte has developed a resilient approach to ICFR that has stood true regardless of regulatory change globally. When exploring the impact of changes to UK Code and the responds needed for their organisation, Financial Controllers should consider the following key elements of their control framework.

#### **Risk Assessment**

- Risk assessment process to identify a single, clear view of the risks and opportunities of the organisation.
- Ongoing process of risk scanning to ensure emerging risks and 'near misses' are captured to ensure the risk register remains relevant.

#### **Risk Appetite & Controls Strategy**

- Defined organisational risk appetite.
- Controls strategy that articulates the organisational approach to controls including executive sponsorship, governance, authority levels and technology enablement.

#### **Risk & Controls Framework**

- Controls framework mapped against risks with clear definition of minimum/key controls, responsibilities and roles.

#### **Policies & Procedures**

- Succinct policies that act as enablers for effective controls performance.
- Guidelines for control operation, templates and repository management.

#### **Controls Implementation & Operation**

- A clearly defined controls operating model outlining who, what and how the controls are implemented.
- A control framework implemented effectively and efficiently across the organisation.
- A cost effective controls centre of excellence to support local markets delivering control testing and monitoring.

#### **Technology Enablement**

- A comprehensive technology framework to support business in the operations, automation and monitoring of controls.
- Implementation of business process controls, continuous control monitoring, self-certification, evidence gathering and retention.

#### **Embedding & Change**

- Winning the hearts and minds, helping employees understand the value to own controls.
- Setting up the business for success with necessary tools and techniques to deliver a sustainable controls framework.
- Deliver the change planning and management, communication and stakeholder engagement as part of control implementation and transformation programmes

#### **Training**

- Controls training programme for the first and second line of defence to develop a clear understanding of controls and the requirements to operate controls effectively.

#### **Assurance activity**

- Providing 2nd and 3rd line of defence assurance activities over the design, implementation and operating effectiveness of controls.
- Implementation of shared services assurance as a service capability.

#### **MI, Dashboard & Reporting**

- Automated and dynamic risk and control effectiveness reporting.

# Contact



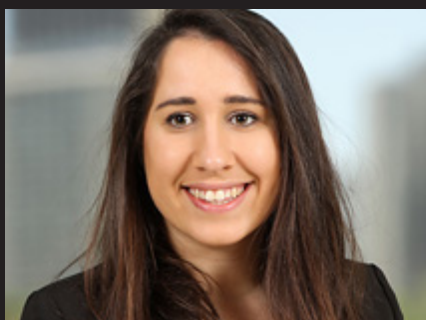
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