Deloitte.

The Future of Controls
Becoming a Control Intelligent Organization

June 2024

MAKING AN IMPACT THAT MATTERS since 1845

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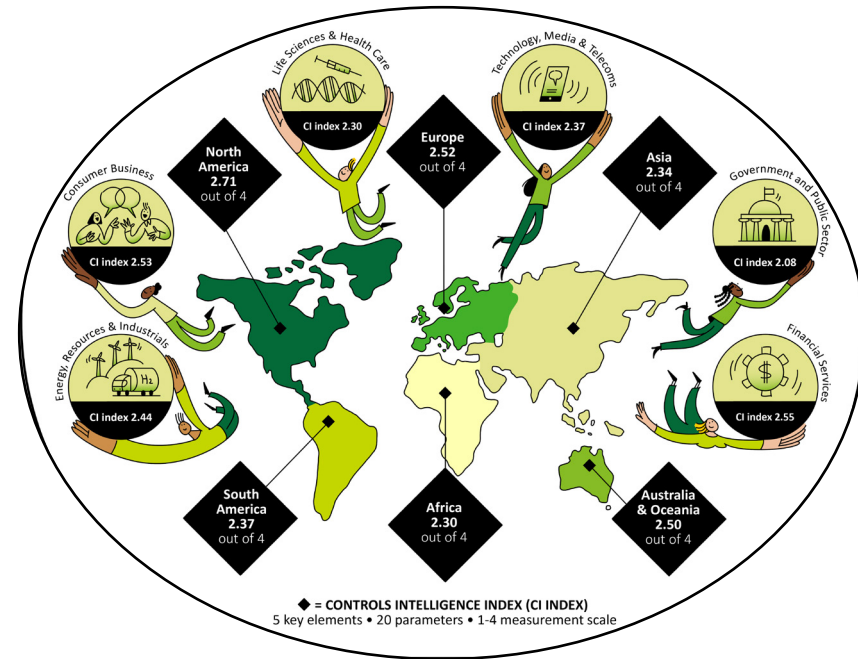
Using the Deloitte CI Index effectively, organizations can gain valuable insights, set realistic improvement goals, and implement targeted initiatives to enhance their maturity levels. This in turn will help drive organizational excellence, improved performance, and greater competitive differentiation.

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.

Life Sciences & Health Care — CI index 2.30
Technology, Media & Telecoms — CI index 2.37
Consumer Business — CI index 2.53
Government and Public Sector — CI index 2.08
Energy, Resources & Industrials — CI index 2.44
Financial Services — CI index 2.55

North America 2.71 out of 4
Europe 2.52 out of 4
Asia 2.34 out of 4
South America 2.37 out of 4
Africa 2.30 out of 4
Australia & Oceania 2.50 out of 4

◆ = CONTROLS INTELLIGENCE INDEX (CI INDEX)
5 key elements • 20 parameters • 1-4 measurement scale

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.

Introduction

Strategy

Operating

Risk

Technology

Monitoring

Demographics

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
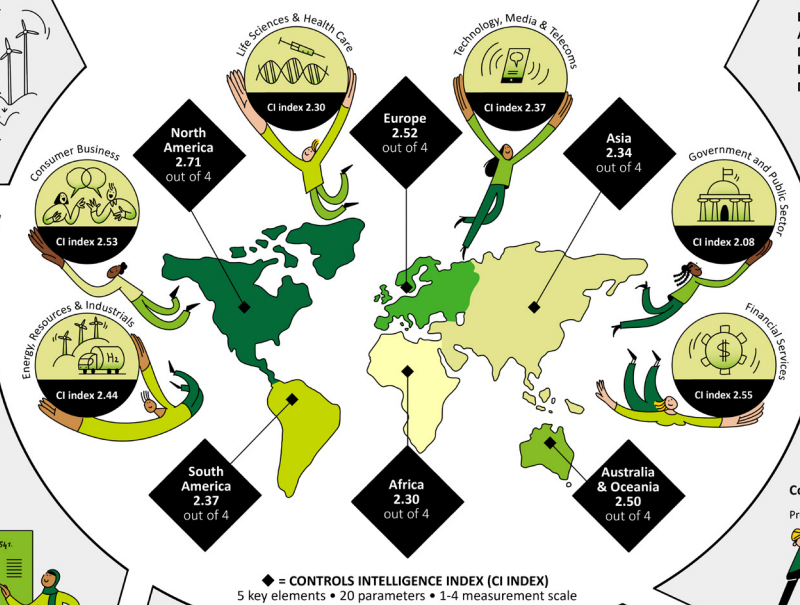
RISK AND CONTROLS FRAMEWORK

#5
HIGH CONTROLS MATURITY CORRELATES TO SHARE PRICE IMPROVEMENT

#6
ENRICHED PROCESS DOCUMENTATION AND RISK ASSESSMENT ENHANCE RISK AND CONTROLS MATURITY

39% of respondents have an advanced / matured controls framework

Industry CI Indices

- Life Sciences & Health Care — CI index 2.30
- Technology, Media & Telecoms — CI index 2.37
- Consumer Business — CI index 2.53
- Energy, Resources & Industrials — CI index 2.44
- Government and Public Sector — CI index 2.08
- Financial Services — CI index 2.55

Regional CI Indices

- North America 2.71 out of 4
- Europe 2.52 out of 4
- Asia 2.34 out of 4
- South America 2.37 out of 4
- Africa 2.30 out of 4
- Australia & Oceania 2.50 out of 4

◆ = CONTROLS INTELLIGENCE INDEX (CI INDEX)
5 key elements • 20 parameters • 1-4 measurement scale

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

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

#10
CO-SOURCED / OUTSOURCED CONTROLS FUNCTION SUPPORTS EFFICIENCY IN TESTING

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

#7
HIGHER CONTROLS AUTOMATION DRIVES HIGHER CONTROLS MATURITY

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.
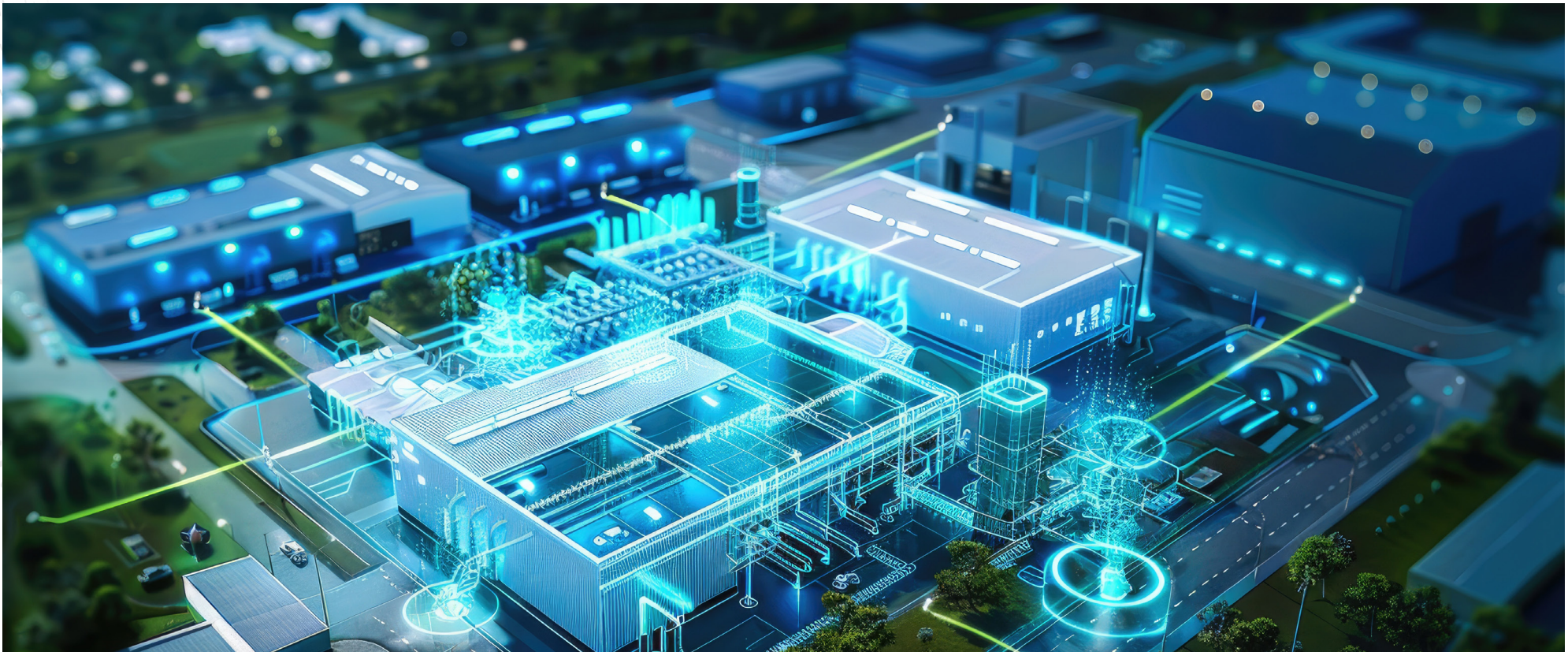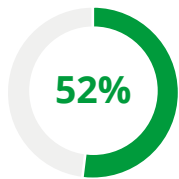
Controls strategy and governance
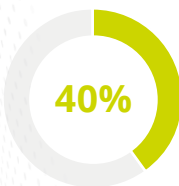
Controls strategy and governance

Key takeaways

52% of respondents linked internal controls with company strategy

63% of respondents rated high (3 or 4 rating) tone at the top for internal controls

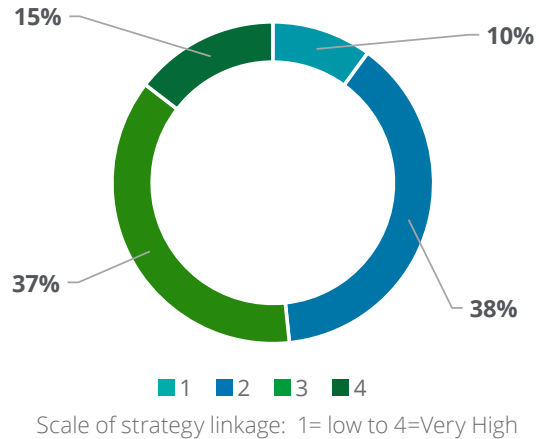**40%** rated their risk management maturity as 'advanced or mature'

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

Introduction

Strategy

Operating

Risk

Technology
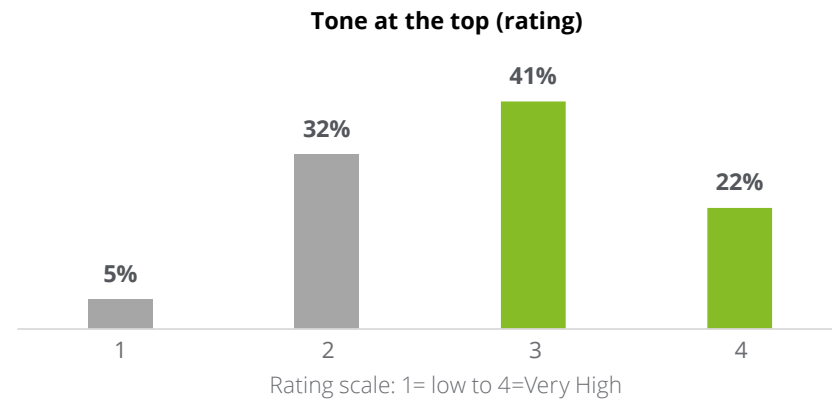
Monitoring

Demographics

Controls strategy and governance

The graphics below provide an overview of individual question responses, which underpin the Control Intelligent topic
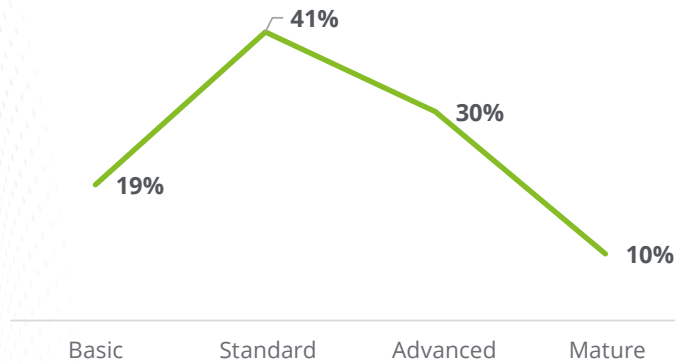
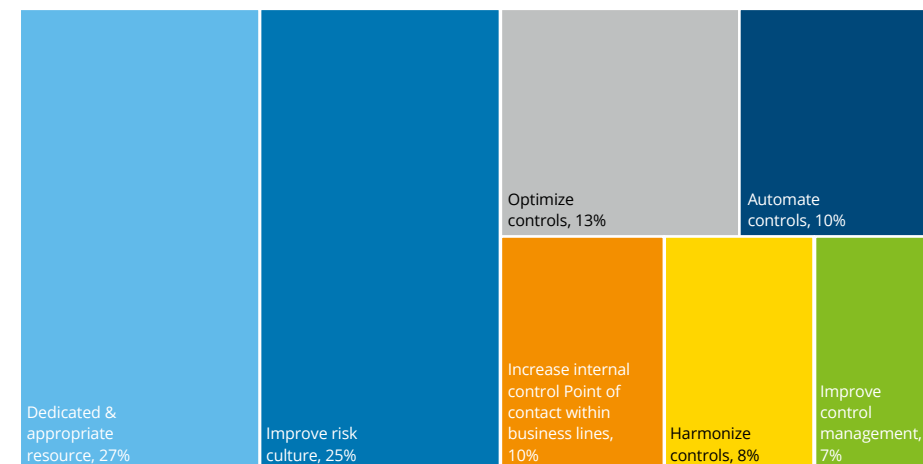**In your opinion, to what extent is internal control linked with the strategy of your company?**

15%
10%
37%
38%

◼ 1 ◼ 2 ◼ 3 ◼ 4

Scale of strategy linkage: 1= low to 4=Very High

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

Tone at the top (rating)

5%
32%
41%
22%

1   2   3   4

Rating scale: 1= low to 4=Very High

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

41%
30%
19%
10%

Basic   Standard   Advanced   Mature

What are your key opportunities to evolve your control environment?

Dedicated & appropriate resource, 27%

Improve risk culture, 25%

Optimize controls, 13%

Automate controls, 10%

Increase internal control Point of contact within business lines, 10%

Harmonize controls, 8%

Improve control management, 7%

Introduction

Strategy

Operating

Risk

Technology

Monitoring

Demographics

Controls strategy and governance

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

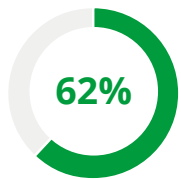### TONE AT THE TOP (RATING '4') & CONTROLS CULTURE

% RESPONDENTS WITH STRONG TONE AT THE TOP (RATING '4')

3% Poor
5% Understanding but inconsistent
21% Culture supported by tone at the top
63% Strongly embedded

Controls Culture

Profiling respondents who rated controls culture as 'strongly embedded', 63% of those have rated 'tone at the top' as strong (rating 4)

ALIGNMENT WITH ORG STRATEGY (RATING '4') & CONTROLS CULTURE

% RESPONDENTS WITH STRONG ALIGNMENT TO ORG STRATEGY (RATING '4')

1% Poor
6% Understanding but inconsistent
18% Culture supported by tone at the top
61% Strongly embedded

Controls Culture

Profiling respondents who rated controls culture as 'strongly embedded', 61% of those have a strong alignment to their organization strategy (rating 4)

TONE AT THE TOP (RATING '4') & RISK MATURITY

% RESPONDENTS WITH STRONG TONE AT THE TOP (RATING '4')

4% Basic
11% Standard
24% Advance
52% Mature

Risk maturity

Profiling respondents who rated risk maturity as "Mature", 52% of those have rated 'tone at the top' as strong (rating 4)

ALIGNMENT WITH ORG STRATEGY (RATING '4') & TONE AT THE TOP

% RESPONDENTS WITH STRONG ALIGNMENT TO ORG STRATEGY (RATING '4')

0% 1
2% 2
8% 3
46% 4

Tone at the top

Profiling respondents who reported strong (rating of 4) tone at the top, 46% of them have aligned controls to organisation strategy

10

Introduction
Strategy
Operating
Risk
Technology
Monitoring
Demographics
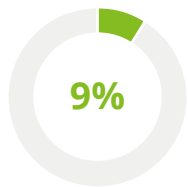
Controls operating model, culture, and capability

Controls operating model, culture, and capability

Key takeaways

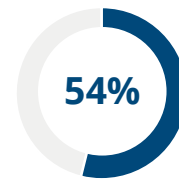**62%** mentioned that they have a clearly defined three lines of defense model

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

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

38% of the organisations occasionally/ regularly co-source/ outsource internal control activities

**47%** of respondents have a strong internal control culture within the company
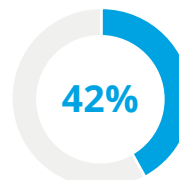
42% of the organisations have e-learning based risk and controls trainings
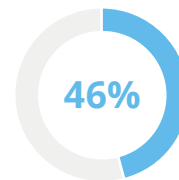
46% of the organisations have an experienced risk and controls team

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

Introduction
Strategy
Operating
Risk
Technology
Monitoring
Demographics

Controls operating model, culture, and capability

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

39%
61%

■ Yes ■ No
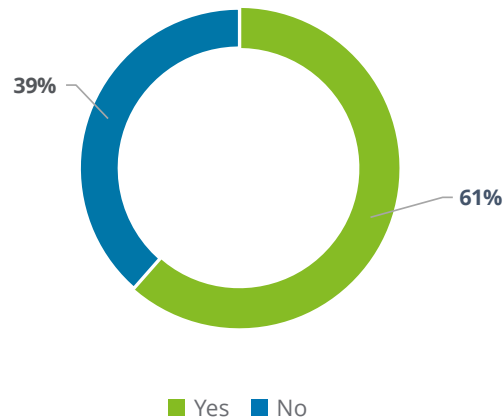
How many internal control focal points of contact are appointed within the first line of defense, i.e. business operations (in FTE)?

22%	45%	9%	24%
None	1 and 5 FTEs	Between 6 and 10 FTEs	More than 10 FTEs

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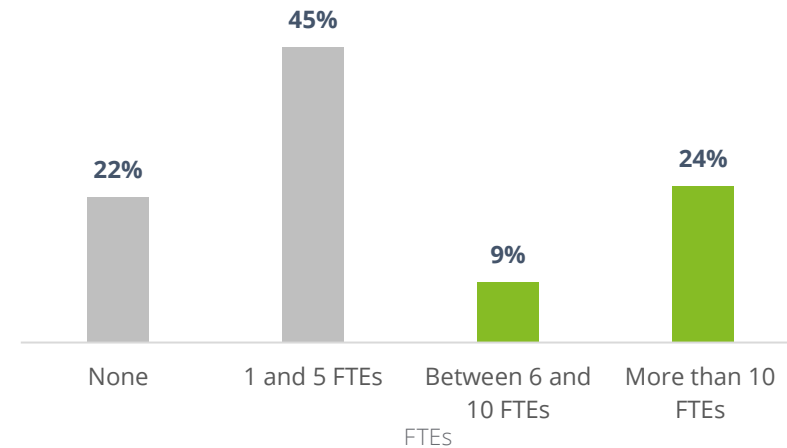
How would you rate the level of internal control culture within your company?

|			
6%	35%	47%	12%
Poor	Understanding but inconsistent	Culture supported by tone at the top	Strongly embedded
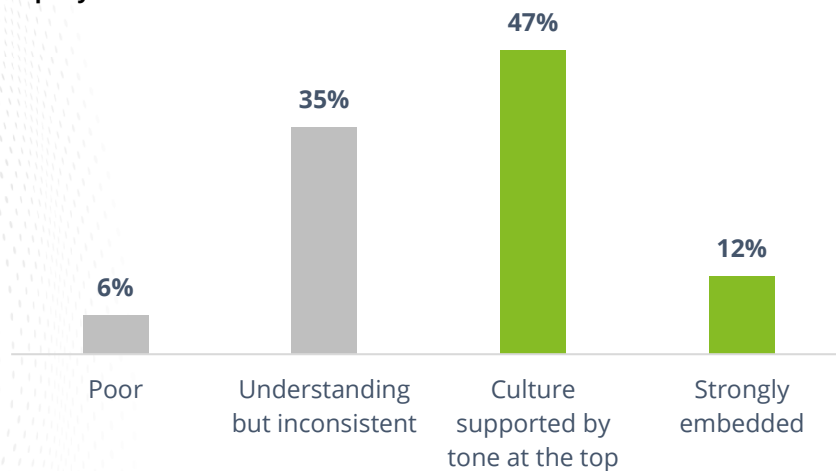
What are the responsibilities of internal controls expand point of contact across the three lines of defense, apart from operating controls?

| 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

Introduction
Strategy
Operating
Risk
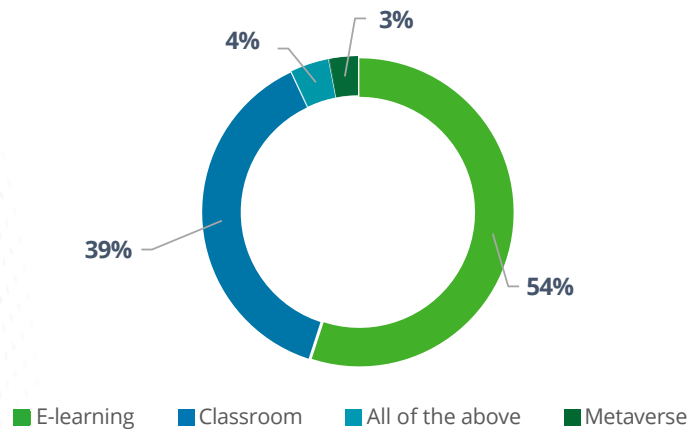Technology
Monitoring
Demographics

Controls operating model, culture, and capability

How often does your organization provide employees across the organization with mandatory risk and controls trainings?
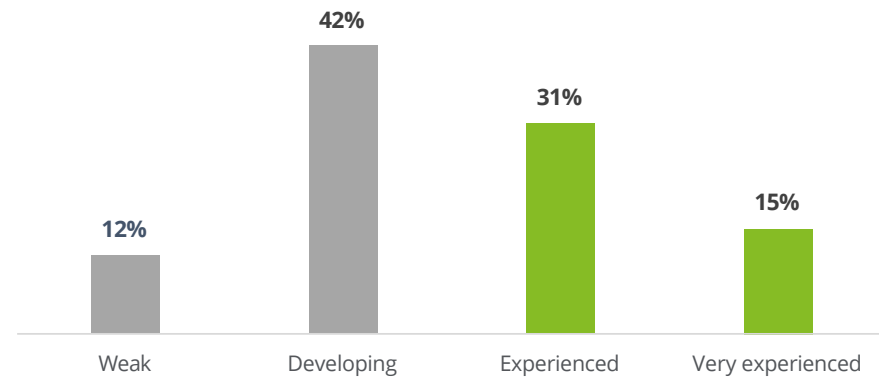
16%
25%
35%
24%

- Regularly and mandatory
- Seldom and not mandatory
- Regularly but not mandatory
- Never
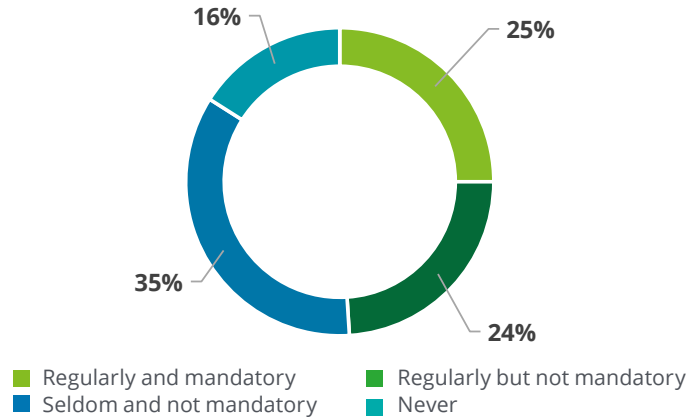
Do you outsource any of your internal control activities (e.g. operation, testing, ownership) to a service provider?

Never	52%
Sometimes	10%
Occasionally	22%
Regularly	16%
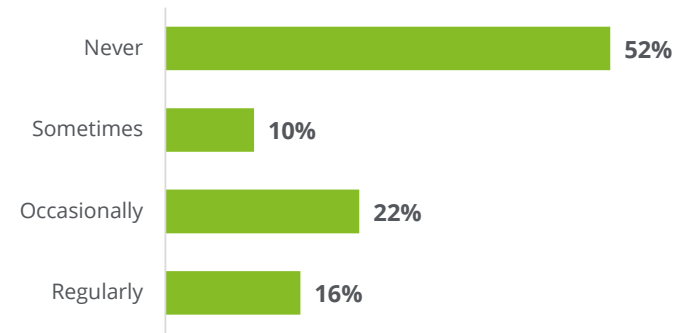
What are the different medium of your trainings?

3%
4%
39%
54%

- E-learning
- Classroom
- All of the above
- Metaverse

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

Weak	Developing	Experienced	Very experienced
12%	42%	31%	15%

Introduction
Strategy
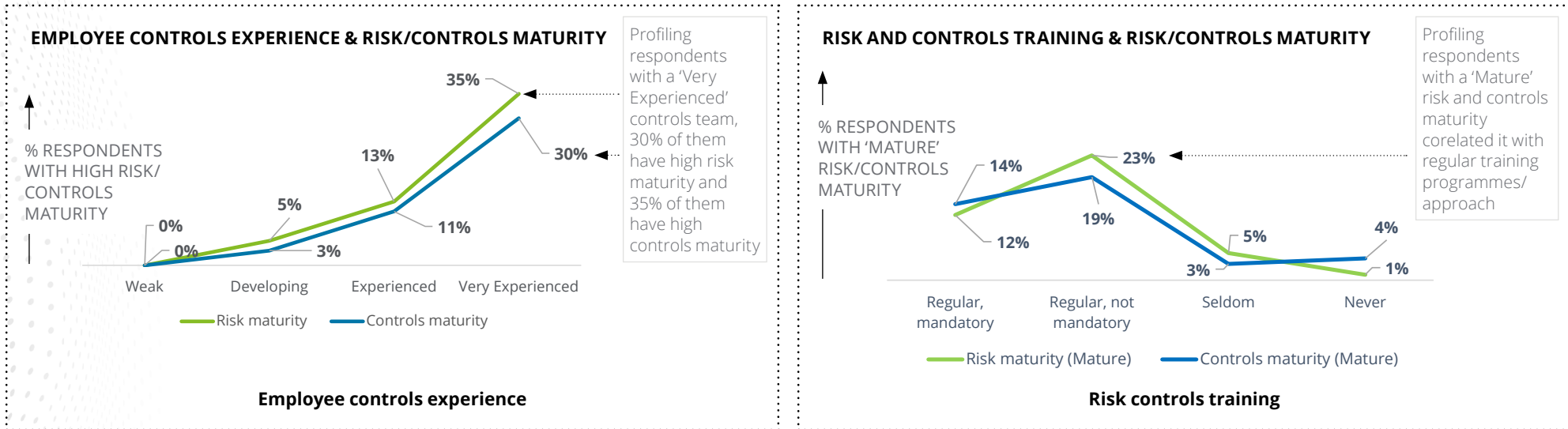Operating
Risk
Technology
Monitoring
Demographics

Controls operating model, culture, and capability

2. A higher number of 'control ambassadors' in the first line supports better controls culture and maturity
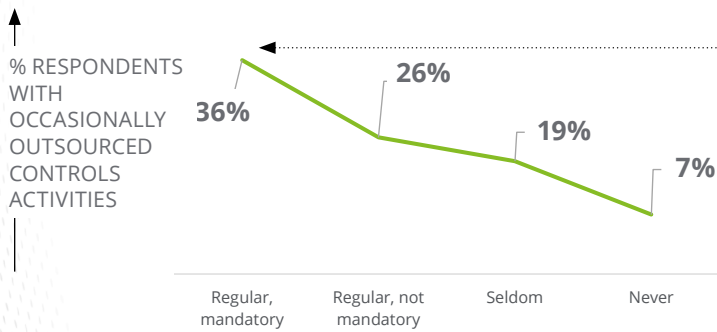
1ST LINE POINT OF CONTACT > 10 & CONTROLS CULTURE

% RESPONDENTS WITH >10 1ST LINE POINT OF CONTACT

6% Poor
17% Understanding but inconsistent
29% Culture supported by tone at the top
59% Strongly embedded

Culture

Profiling respondents who have a 'Strongly embedded' controls culture, 59% of them have more than 10 controls ambassadors/ point of contact in the first line of business

1ST LINE POINT OF CONTACT > 10 & CONTROLS CULTURE

% RESPONDENTS WITH >10 1ST LINE POINT OF CONTACT

4% Basic
18% Standard
36% Advance
59% Mature

Controls maturity

Profiling respondents who have high controls maturity (mature), 59% of them have more than 10 controls ambassadors/ point of contact in the first line of business

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

EMPLOYEE CONTROLS EXPERIENCE & RISK/CONTROLS MATURITY

% RESPONDENTS WITH HIGH RISK/ CONTROLS MATURITY

0% 0% Weak
5% 3% Developing
13% 11% Experienced
35% 30% Very Experienced

— Risk maturity — Controls maturity

Employee controls experience

Profiling respondents with a 'Very Experienced' controls team, 30% of them have high risk maturity and 35% of them have high controls maturity

RISK AND CONTROLS TRAINING & RISK/CONTROLS MATURITY

% RESPONDENTS WITH 'MATURE' RISK/CONTROLS MATURITY

14% 12% Regular, mandatory
23% 19% Regular, not mandatory
5% 3% Seldom
4% 1% Never

— Risk maturity (Mature) — Controls maturity (Mature)

Risk controls training

Profiling respondents with a 'Mature' risk and controls maturity corelated it with regular training programmes/ approach

15

Controls operating model, culture, and capability

4. Co-sourced/Outsourced controls functions facilitate better controls training across the organisation
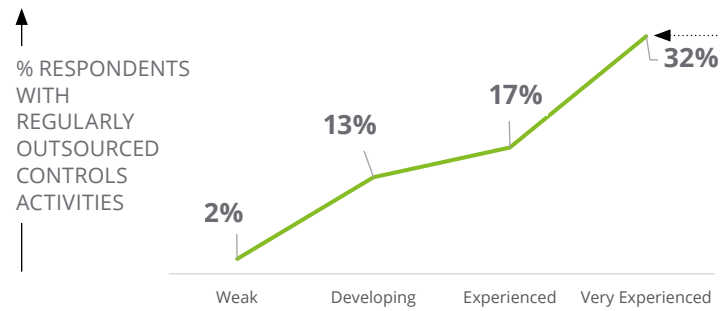
RISK AND CONTROLS TRAINING & OUTSOURCED CONTROLS FUNCTIONS

% RESPONDENTS WITH OCCASIONALLY OUTSOURCED CONTROLS ACTIVITIES

36%
26%
19%
7%

Regular, mandatory | Regular, not mandatory | Seldom | Never

Risk and controls training

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

EMPLOYEE CONTROLS EXPERIENCE & OUTSOURCED CONTROLS FUNCTIONS

% RESPONDENTS WITH REGULARLY OUTSOURCED CONTROLS ACTIVITIES

2%
13%
17%
32%

Weak | Developing | Experienced | Very Experienced

Employee controls experience

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

Introduction
Strategy
Operating
Risk
Technology
Monitoring
Demographics

Risk and controls framework and operational maturity

Risk and controls framework and operational maturity

Key takeaways
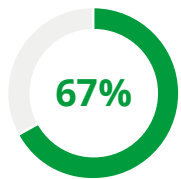
67% of the organisations have documented process narratives/process diagrams, including risks & controls

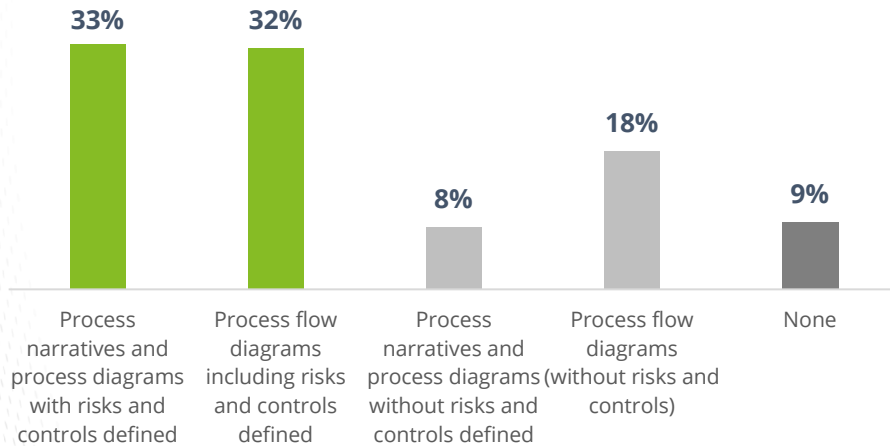**39%** of respondents have an advanced or matured controls framework
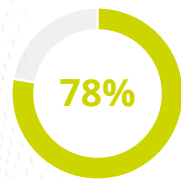
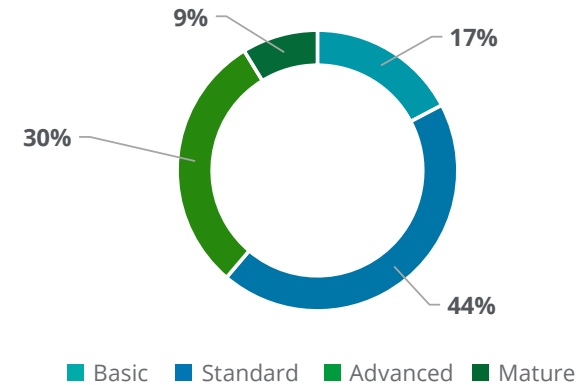**78%** of organisations have documented risk & control standards, guidance & templates to support activity owners
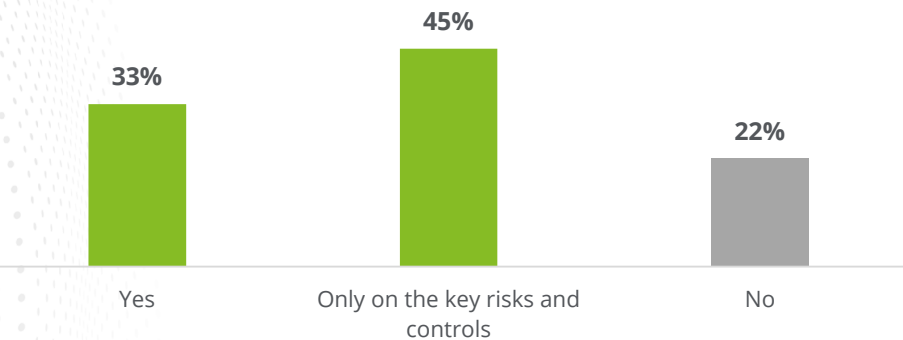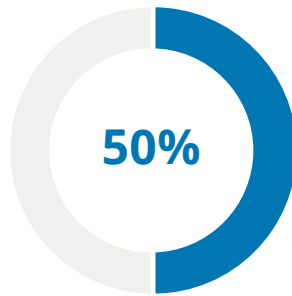
Risk and controls framework and operational maturity

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

33%	Process narratives and process diagrams with risks and controls defined
32%	Process flow diagrams including risks and controls defined
8%	Process narratives and process diagrams without risks and controls defined
18%	Process flow diagrams (without risks and controls)
9%	None

What is the level of maturity of your controls framework?

9%
17%
30%
44%

■ Basic   ■ Standard   ■ Advanced   ■ Mature

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

33%	45%	22%
Yes	Only on the key risks and controls	No

19

Introduction

Strategy

Operating

Risk

Technology

Monitoring

Demographics

Risk and controls framework and operational maturity

5. High controls maturity correlates to share price improvement

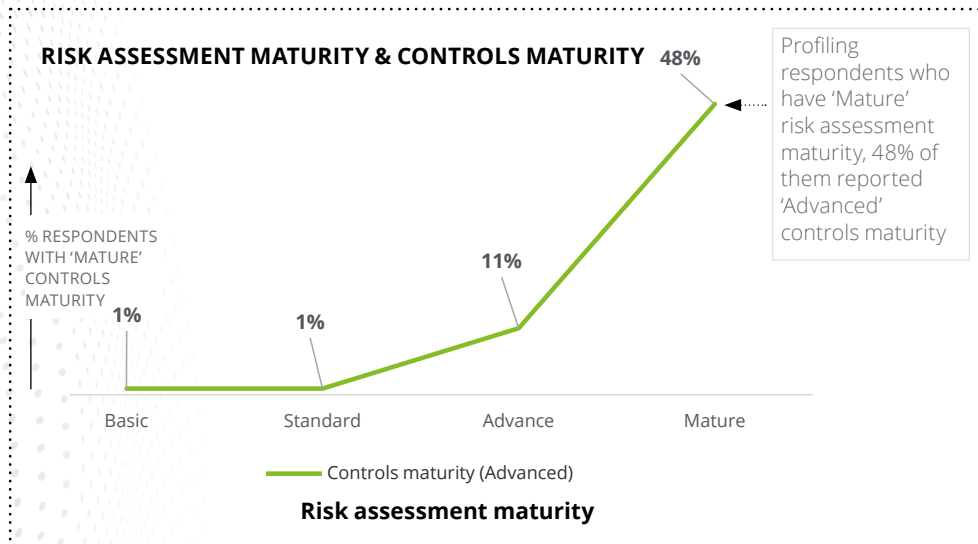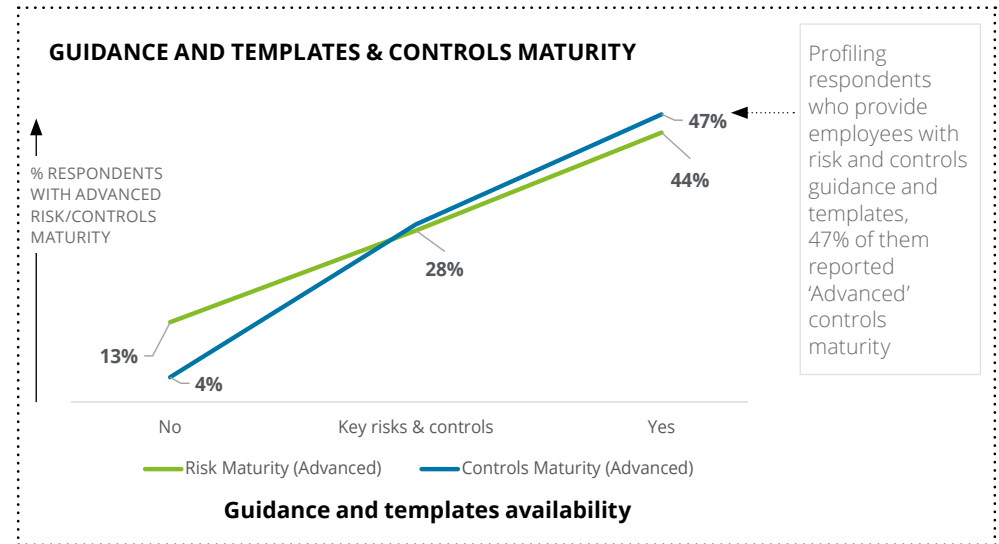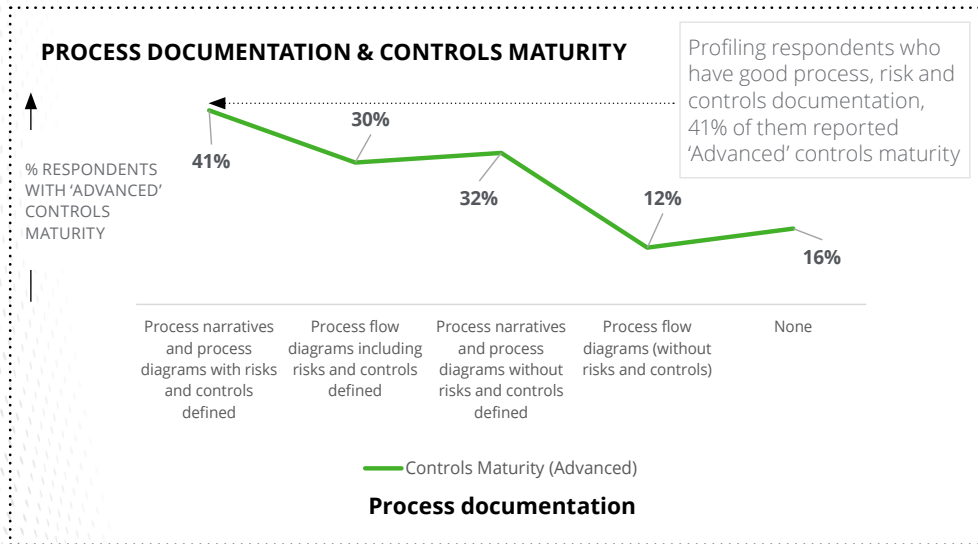**Average 5 year share price improvement for companies with high/very high controls maturity**

50%

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

5%

Introduction

Strategy

Operating

Risk

Technology

Monitoring

Demographics
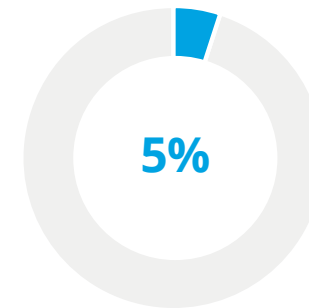
Risk and controls framework and operational maturity

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

**PROCESS DOCUMENTATION & CONTROLS MATURITY**

% RESPONDENTS WITH 'ADVANCED' CONTROLS MATURITY

41%
30%
32%
12%
16%

Process narratives and process diagrams with risks and controls defined | Process flow diagrams including risks and controls defined | Process narratives and process diagrams without risks and controls defined | Process flow diagrams (without risks and controls) | None

— Controls Maturity (Advanced)

Process documentation

Profiling respondents who have good process, risk and controls documentation, 41% of them reported 'Advanced' controls maturity

GUIDANCE AND TEMPLATES & CONTROLS MATURITY

% RESPONDENTS WITH ADVANCED RISK/CONTROLS MATURITY

47%
44%
28%
13%
4%

No | Key risks & controls | Yes

— Risk Maturity (Advanced) — Controls Maturity (Advanced)

Guidance and templates availability

Profiling respondents who provide employees with risk and controls guidance and templates, 47% of them reported 'Advanced' controls maturity

RISK ASSESSMENT MATURITY & CONTROLS MATURITY

48%

% RESPONDENTS WITH 'MATURE' CONTROLS MATURITY

1%
1%
11%

Basic | Standard | Advance | Mature

— Controls maturity (Advanced)

Risk assessment maturity

Profiling respondents who have 'Mature' risk assessment maturity, 48% of them reported 'Advanced' controls maturity

Introduction

Strategy

Operating

Risk

Technology

Monitoring

Demographics

Controls technology, automation and digitization

Controls technology, automation and digitization

Key takeaways
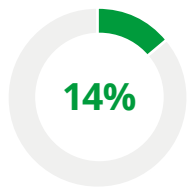
14% of the organisations have tactically automated or highly automated internal controls

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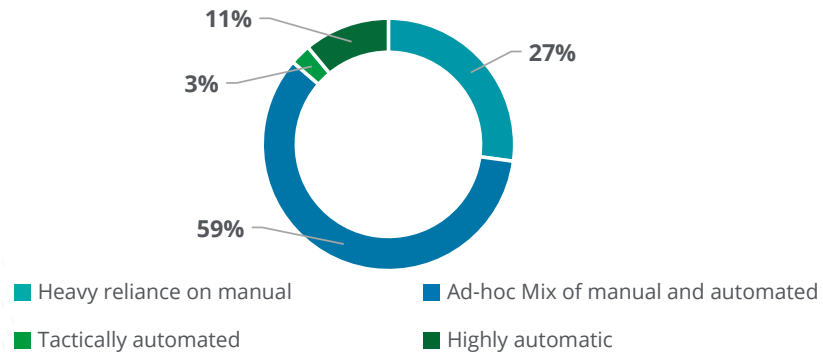
Process mining and third party risk management have been identified as the two key areas of automation focus beyond the 2 year period.

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.

Introduction

Strategy

Operating

Risk

Technology

Monitoring

Demographics

Controls technology, automation and digitization

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

- 11%
- 3%
- 27%
- 59%

■ Heavy reliance on manual   ■ Ad-hoc Mix of manual and automated

■ Tactically automated   ■ Highly automatic

Risk assessment maturity

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

Next 2 years	Beyond 2 years
Risk Management (risk mapping)	Process mining
Management of control plans and documentation of controls	Third Party Risk management
Automated Dashboards	Automated alerts
Follow-up action plans	Automated dashboards
Process Mapping	Data lake

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

- 15%
- 33%
- 18%
- 10%
- 24%

● Lack of knowledge of the possibilities offered by technology

● Lack of human resources to develop/implement

● Lack of expertise to develop/implement

● Lack of financial resources

● Other

% voting as #1 obstacle

Controls technology, automation and digitization

7. Higher controls automation drives higher controls maturity

% RESPONDENTS WITH 'ADVANCED'/ 'BASIC' CONTROLS MATURITY

38%

15%

33%

9%

47%

5%

Havy reliance on manual / Weakly digitized

Ad hoc mix of manual & automated

Tactical-High automation

— Advanced controls maturity

— Basic controls maturity

Controls automation level

Profiling respondents who have 'Tactical-High Automation', 47% of them have 'Advanced' controls maturity

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

% RESPONDENTS WHERE CONTROLS LINKED TO ORGANIZATIONAL STRATEGY

23%

43%

56%

Manual

Ad-hoc

Automated

— Strategy linkage (rating 3)

Controls automation level

Profiling respondents who have better 'Automated' control environment, 56% of them linked controls to organisation strategy

Introduction

Strategy

Operating

Risk

Technology

Monitoring

Demographics

Controls monitoring and assurance framework

Controls monitoring and assurance framework

Key takeaways
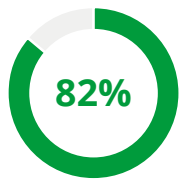
82% of respondents stated that external audit rely on their internal control environment to support their opinion
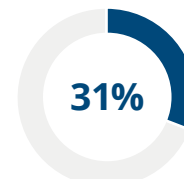
31% have an advanced / matured level of risk & control monitoring indicators
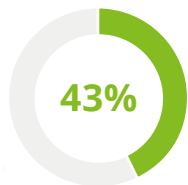
43% of organisations perform internal control effectiveness testing more than once per year

50% of respondents are satisfied with the traceability of control results (sufficient and reliable monitoring activities)

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

Introduction

Strategy

Operating

Risk

Technology

Monitoring

Demographics

27

Controls monitoring and assurance framework

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

On ad hoc basis only	**21%**
once per year	**47%**
Twice per year	**22%**
Three times per year	**10%**
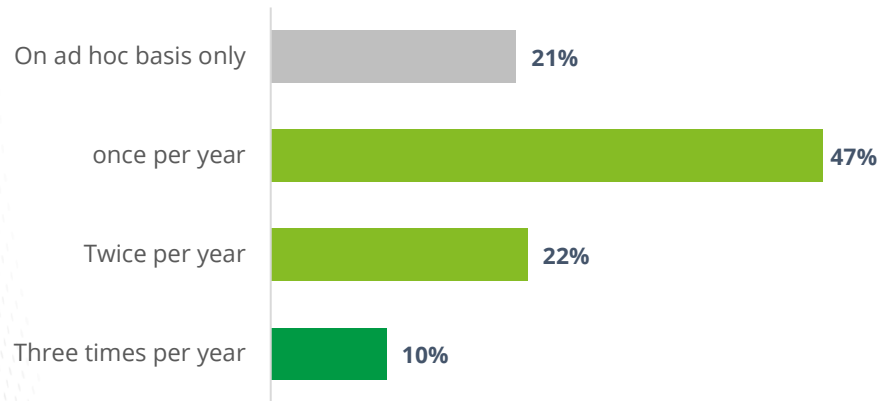
Does your external auditor rely on your internal control environment to support their opinion?

- **18%**
- **49%**
- **33%**

■ Yes   ■ Partial reliance   ■ No
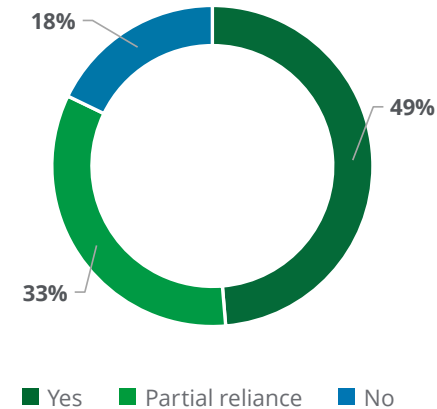
In the last 12 months, has your organization increased or decreased the level of controls assurance effort?

Decreased	**24%**
Increased	**76%**
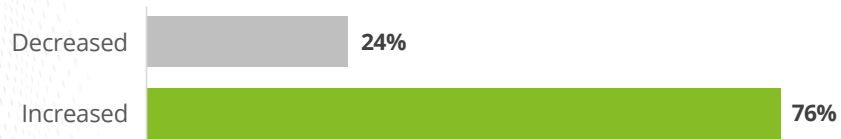
Increased controls effort (Due to a deficiency, identified control gap, process change)

Introduction

Strategy

Operating

Risk

Technology

Monitoring

Demographics

Controls monitoring and assurance framework

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

4%

24%

27%

45%

■ Basic ■ Standard ■ Advanced ■ Mature
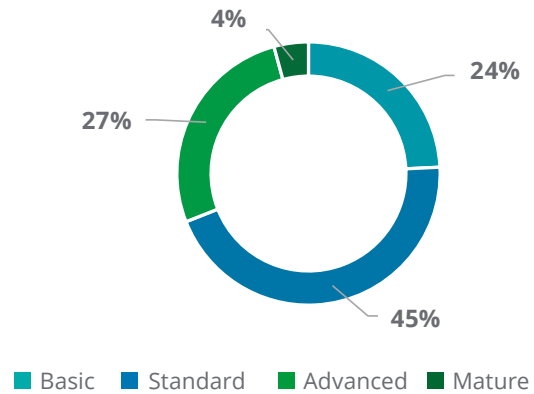
Do you think the traceability of control results is sufficient and reliable to monitor activities?

42%

40%

9%

9%

1   2   3   4

Introduction

Strategy

Operating

Risk

Technology

Monitoring

Demographics
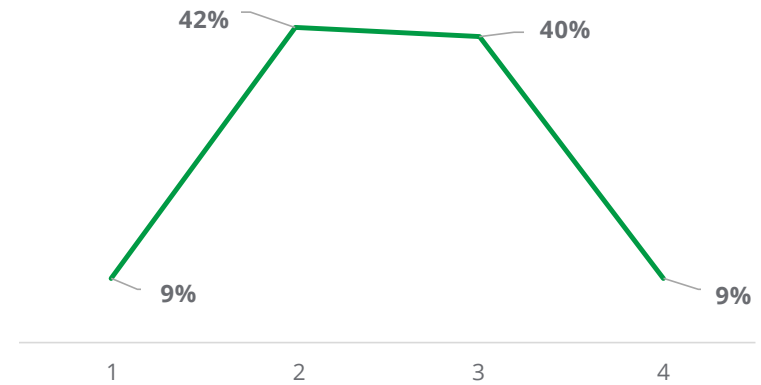
Controls monitoring and assurance framework

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

EXTERNAL AUDITOR RELIANCE & CONTROLS FRAMEWORK MATURITY

% RESPONDENTS
WITH MATURE
CONTROLS
FRAMEWORK

3%
10%
11%

No   Partial   Yes

——— Controls environment (mature)

External auditor reliance

Profiling respondents where external auditors rely on organisation controls, 11% of these have 'Mature' control environment

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

CONTROLS TESTING FREQUENCY & OUTSOURCED CONTROLS ACTIVITIES

% RESPONDENTS
WITH REGULARLY
OUTSOURCED
CONTROLS
ACTIVITIES

8%
14%
24%
20%

Ad-hoc   Once per year   Twice per year   Thrice per year

——— Outsourced (yes, regularly)

Testing frequency

Profiling respondents with higher (thrice per year) controls testing frequency, 20% of them regularly outsource risk and controls activities

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%

Introduction

Strategy

Operating

Risk

Technology

Monitoring

Demographics

Deloitte.