

**Next Generation Controls(NGC)**  
Moving towards a Robust Control Framework

# Background

Today, in an environment generally distrustful of businesses, regulatory and compliance requirements are on the rise. Organizations are building controls framework to meet various statutory and regulatory requirements, while trying to strike the right balance between 'complicated requirements' and 'robustness'. In many organizations, it can be observed that the 'complexity' of the framework is spiraling out of control. To understand whether the controls framework is truly doing its job well, financial controllers have to ask themselves the following questions:

- Does the existing framework identify the controls within processes?
- Is there adequate process documentation to explain the control framework?
- Are there opportunities to optimize and rationalize the number of controls?
- Is there scope for control automation?
- Do we have the right mix of Preventive and Detective controls?
- Is the controls framework intelligent enough to address existing risks and predict future risks?
- Is there a next wave of controls?
- What is future of our existing controls? Will the controls still be relevant considering the environment changes?

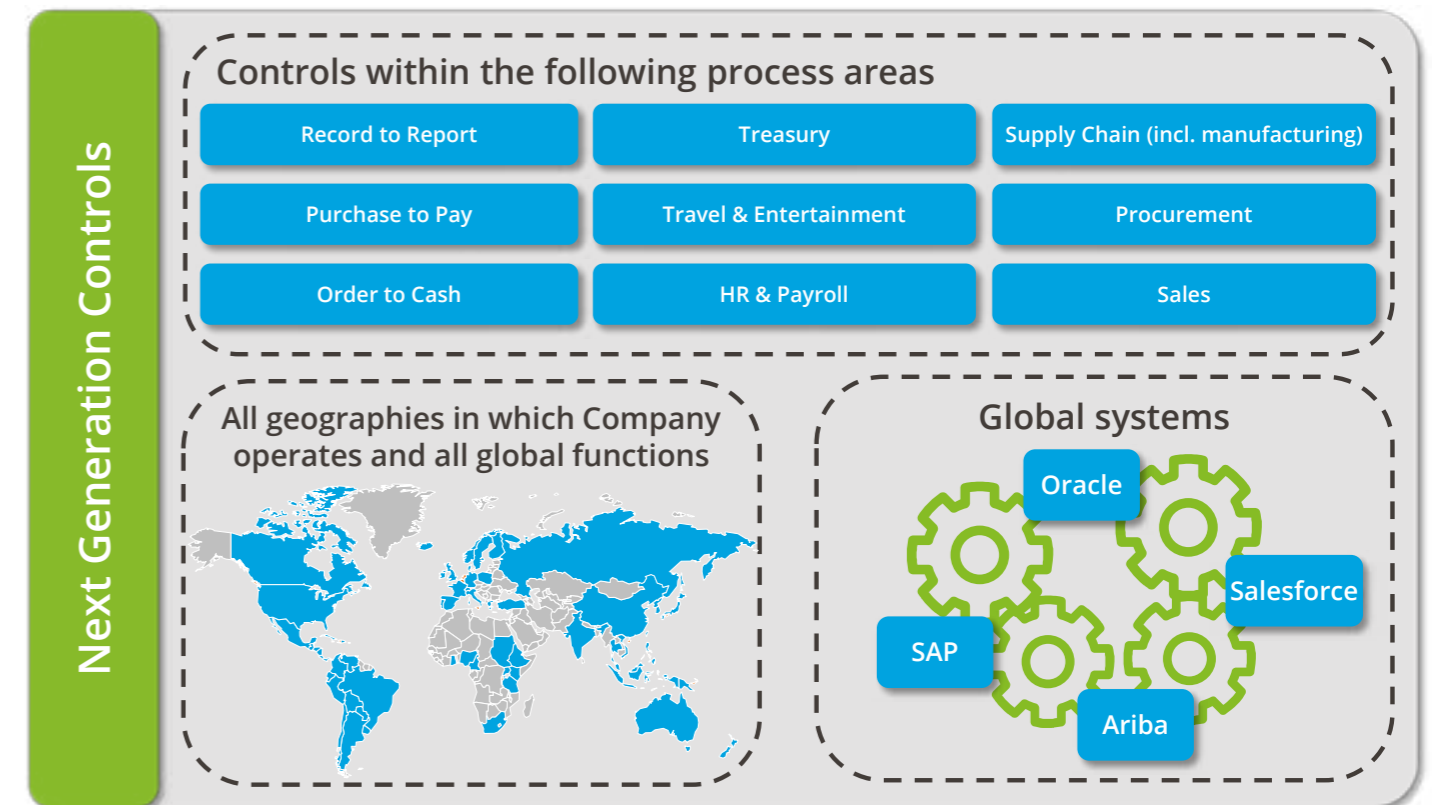
These questions determine the need to have Next Generation Controls (NGC) framework, which addresses the challenges Financial Controllers are facing with the traditional controls framework. The NGC provides a robust and lean control framework that will meet various regulatory and compliance requirements. The NGC's key objective is to help organizations look more towards controls automation and controls rationalization. It also brings in the flavor of controls monitoring, through data analytics, and helps in building intelligence around control monitoring.



# Next Generation Controls (NGC)

The NGC framework addresses business processes such as Purchase to Pay, Record to Report, Manufacturing/supply chain, Order to Cash, HR and Payroll, Sales, Procurement, travel and entertainment, and operations. The IT applications that support these business processes are also considered an integral part of the NGC framework.

Figure A: Scope of NGC





# What is the Objective of NGC?

**Next generation controls framework is a risk based approach that aims to bring in the following:**

- **Connecting the dots:** Clear linkage between processes and the controls that mitigate risk. More often than not the conventional controls framework does not distinguish process and controls. The NGC brings in a clear link between process and controls. For example, the activity of performing bank reconciliation is treated as control, whereas in reality, it is a process. As part of the NGC, a clear linkage will be built between process and the controls to mitigate risks.
- **Simplicity:** The NGC framework provides a clear and easy understanding of the risk and controls framework. It removes subjectivity and simplifies the documentation of framework, flowcharts and risk & controls matrix (RCM) through concise and clear articulation.
- **Efficiency:** Controls automation, building more monitoring reports, and building preventive controls are a few ways in which efficiency is achieved. This will ultimately lead to lower operating costs and reliable controls.
- **Effectiveness:** It can protect a company's reputation through improved quality and consistency of control operations across markets. NGC aims to have a uniform control framework across the organization that will help in consistent and uniform results and improved quality.
- **Sustainability:** The NGC controls framework is easy to maintain and makes it simple to govern risk and control activities.
- **Flexibility:** The framework has the flexibility to adapt to future business change.
- **Seamless monitoring:** NGC aims at bringing in monitoring through analytics that helps in bringing real time effective monitoring.

# What are the key success factors for implementing Next Generation Controls?

**The key success factors for implementing NGC include the following:**

01. Controls automation: The NGC framework will maximize the use of preventative and automated controls, and use of technology for control operation, monitoring, and assurance.
02. One control variant: Only one control variant will be designed; local variables must be approved by an exception process.
03. Control owner: Control ownership is identified early and ongoing validation and communication are retained.
04. Identification of Real controls: All controls must mitigate a real risk.
05. Controls rationalization: Remove duplication and layering of controls.
06. Documentation: Controls will be documented at a task level/activity.
07. Controls Optimization: Embed a sustainable controls optimisation process.

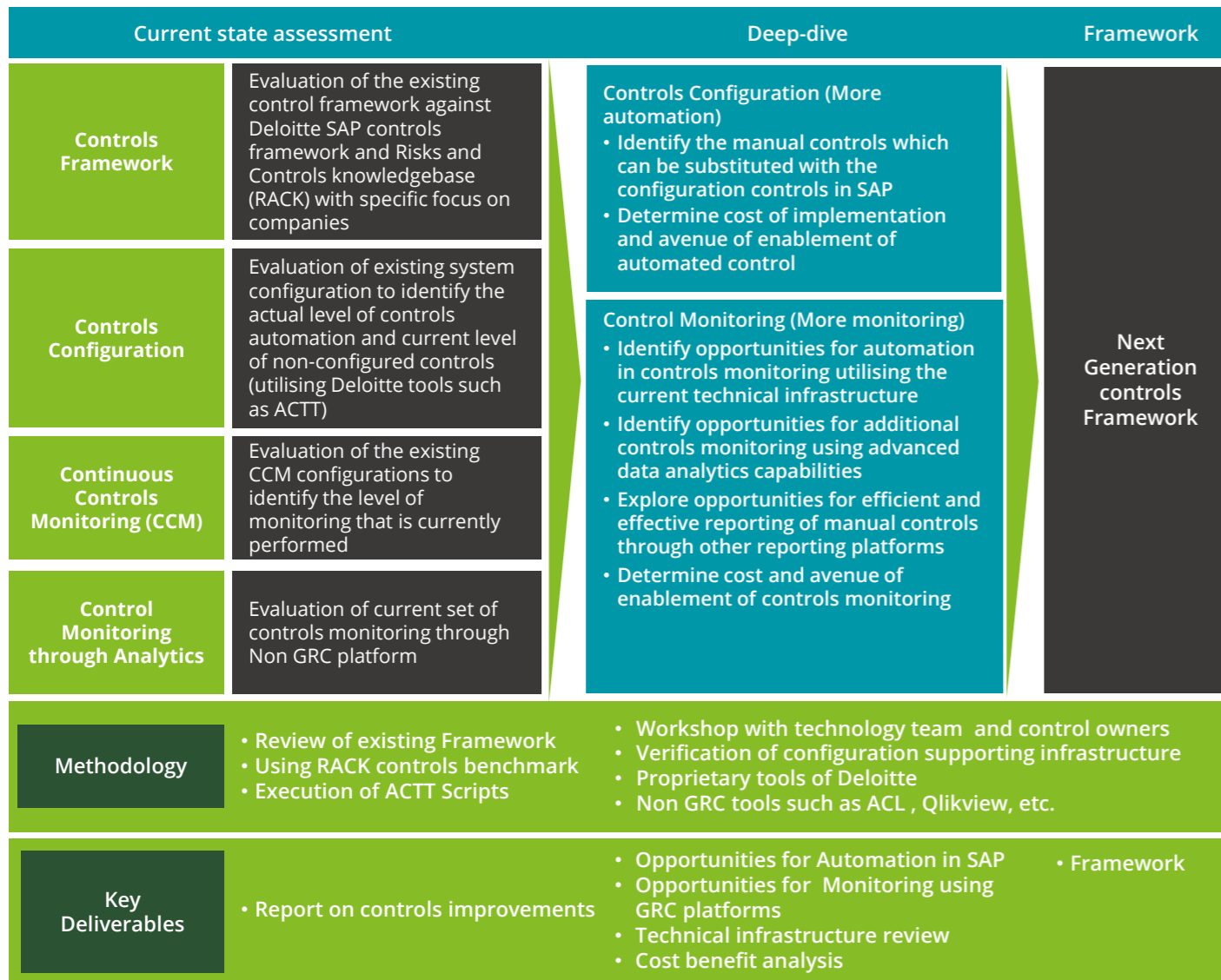


# Our approach

The overall approach for implementing NGC is as follows:

- 01. Evaluation of existing framework:** The existing control framework will be evaluated against industry practices to identify areas of controls rationalization and to ensure 'Real controls' are identified.
- 02. Controls automation/configuration:** Evaluation of existing system configuration to identify the actual level of controls automation and current level of non-configured controls (utilizing Deloitte tools such as ACTT)
- 03. Continuous Controls Monitoring (CCM) through GRC platform if available:** Evaluation of the existing CCM configurations to identify the level of monitoring that is currently performed (utilizing Deloitte tools such as ACCEL)
- 04. Control monitoring through analytics (Beyond GRC):** Evaluation of current set of controls monitoring through Non GRC platform

The following is an illustrative deliverable of next generation controls framework



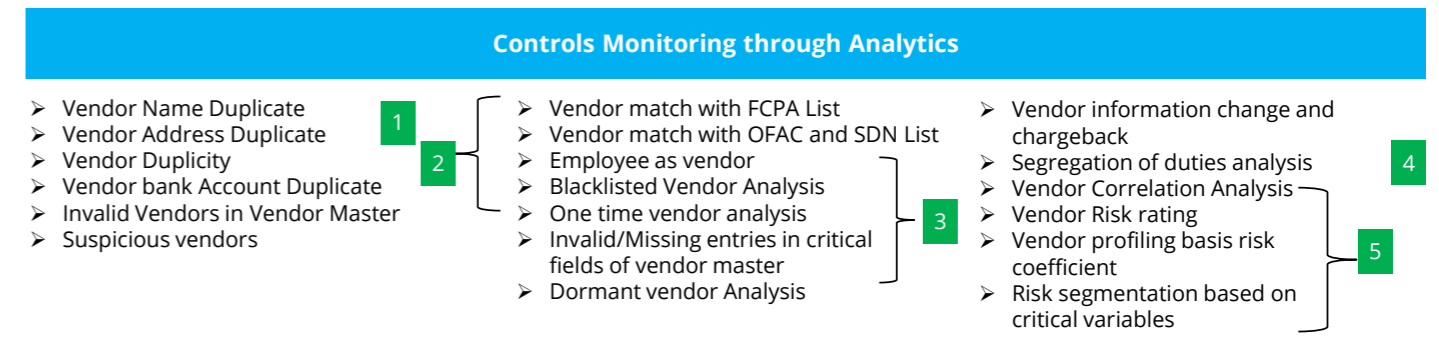
Requirements for internal controls framework such as COSO 2013 will be embedded as part of the NGC framework.

# Next Generation Controls in Action

We have provided an illustrative deliverable for a Vendor Master Management process. The deliverables are aligned to the approach mentioned in the previous section.

## Vendor Master Management





	Control Framework	
	Preventive	Detective
<b>Controls Framework</b>	<ul style="list-style-type: none"> <li>Access to create /modify vendor master is restricted to authorized individuals</li> </ul>	<ul style="list-style-type: none"> <li>Periodical review of vendor mater changes</li> </ul>
<b>Controls Configuration</b>	<ul style="list-style-type: none"> <li>One time vendor flag is updated so that vendor gets deactivated after placing one PO</li> <li>Mandatory fields to the vendor master are configured.</li> </ul>	<ul style="list-style-type: none"> <li>Verify if all One Time Vendors were deactivated after one dealing</li> <li>Any changes to vendor master are reviewed for approvals from authorities</li> </ul>
<b>Continuous Controls Monitoring</b>	<ul style="list-style-type: none"> <li>Monitoring vendor configuration changes through GRC tool</li> <li>Alerts configured in system to flag if vendor already exists</li> </ul>	
<b>Control Monitoring through Analytics</b>		<ul style="list-style-type: none"> <li>Use of Invalid vendors in vendor master to perform unauthorized Transaction (1)</li> <li>Have business dealings with prohibited / blacklisted vendors (2)</li> <li>Supplier database information is not correct and up to date (3)</li> <li>Unauthorized changes to vendor master to facilitate illicit transactions(4)</li> <li>Inactive Vendors / Incompetent Vendors on board (5)</li> </ul>





# Our Services

Deloitte provides the following services as part of the Next Generation Controls framework:

Assess	Design	Implement	Monitor
 <p>Providing assistance in performing a NGC Road Map</p>	 <p>Designing the Controls configurations and Data monitoring reports</p>	 <p>Implement controls in the application, GRC and Data monitoring reports</p>	 <p>Providing ongoing support to test the controls on an ongoing basis</p>
<b>Description</b>			
<p>To perform an AS-IS review of the controls framework, ERP configurations, Data analytics to complete .</p>	<p>Designing controls:</p> <ul style="list-style-type: none"> <li>• Controls rationalization</li> <li>• Controls Configuration</li> <li>• Monitoring through GRC tools</li> <li>• Design of Data analytics reports for monitoring.</li> </ul>	<ul style="list-style-type: none"> <li>• Implementation of the controls in the ERP and GRC Platform</li> <li>• Implementation of Data analytics reports.</li> </ul>	<p>Controls testing and continuous monitoring.</p>
<b>Design</b>			
<b>Implement</b>			
<b>Operate</b>			





# Contacts

To learn more about how your organization can move towards having a Robust and more intelligent control framework, please contact

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