

The Future of Controls & BlackLine –
A Practical Response to
UK Corporate Reform

Wednesday 13th September 2023



Our speakers and agenda for today...

1. **Overview of UK Corporate Governance Reform & Internal Controls declaration requirements**

Ololade Adesanya



Ololade Adesanya

2. **Leveraging Deloitte's Future of Controls Framework**

Andrew Flaherty



Andrew Flaherty

3. **Case Study: BlackLine**

Natalie Bates



Natalie Bates

4. **Q & A**

5. **Upcoming Events**

UK Corporate Governance Reform: Summary of Key Aspects



Directors' declaration on internal controls (Premium Listed Entities**)

A declaration of whether the board can reasonably conclude that risk management and internal control systems have been effective throughout the reporting period and as at year end, the basis for the declaration, material weaknesses or failures identified, and remedial action being taken including timelines.



Malus & claw back (Premium Listed Entities**)

A focus on greater transparency about malus and clawback arrangements in the Code so remuneration can be withheld or recovered from directors for misconduct, misstatements, and other serious failings.



Managed shared audits (FTSE 350)

Managed shared audits may be introduced on a phased basis with an exemption regime, and ARGAs having the powers to operate a 'market share cap'.



ARGA

- Powers to set minimum requirements for Audit Committees on appointment and oversight of auditors (FTSE 350).
- Powers to enforce all PIE directors' statutory duties relating to corporate reporting and audit under the Companies Act (All PIEs).



Resilience statement (Large PIEs)

A statement to report on matters which could materially challenge resilience over the short and medium term. Trends and factors which could impact the business beyond the medium-term will also need to be considered.



Material fraud Statement (Large PIEs)

Directors will have to disclose and explain activities taken to prevent and detect fraud within the Annual Report.



Audit & assurance Policy, AAP (Large PIEs/ Premium Listed Entities**)^

A policy is to be developed covering key reporting data and information and explaining the nature of external and internal assurance to be obtained and rationale for this determination.



Distribution Policy Statement (Large PIEs)

Disclose audited distributable reserves and provide narrative explaining the board's long-term approach to the amount and timing of returns to shareholders and how this policy has been applied in the year.

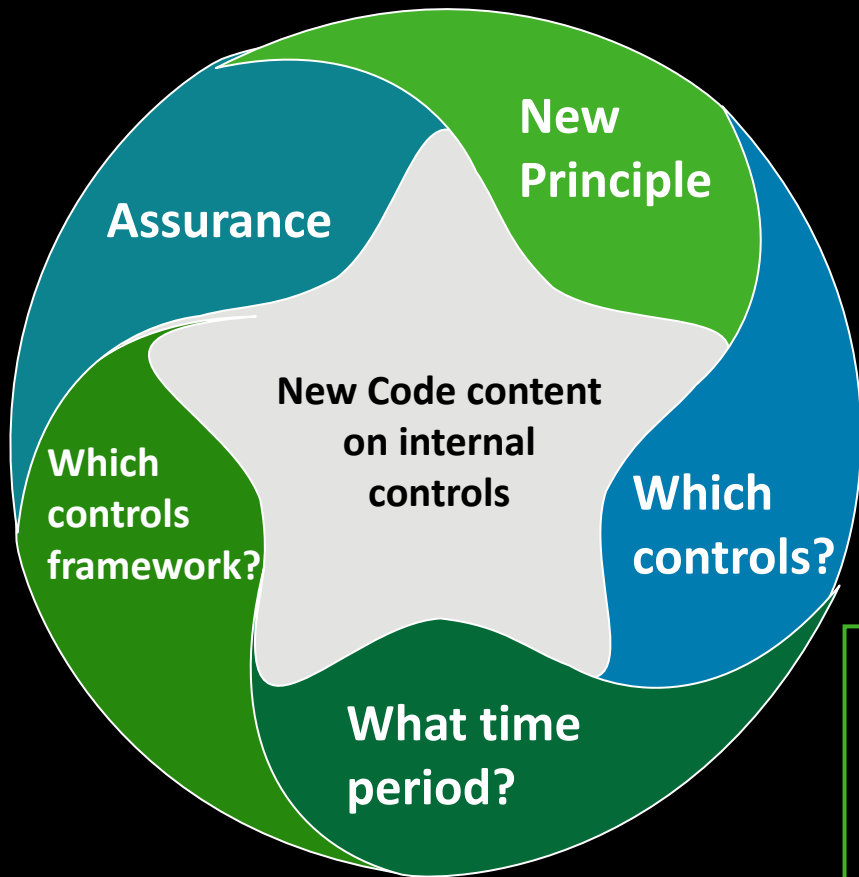


**including entities that voluntarily apply the Corporate Governance Code

^The FRC's Consultation Paper on changes to the Corporate Governance Code includes whether Premium Listed Entities should be made to comply with AAP disclosure requirements

Latest on the FRC's plans for the Corporate Governance Code

Considerations for changing the UK Corporate Governance Code on internal controls



AIM: “to **strengthen** the internal control provisions in the UK Corporate Governance Code to provide for an **explicit statement from the board about their view of the effectiveness** of the internal control systems (financial, operational and compliance) and the **basis for that assessment**”

“The Government intends to take a **Code-based approach** as the most **practical and proportionate** way of **strengthening boardroom focus** on internal control matters. It will be particularly effective if **investors** in their stewardship role are ready to **apply pressure on boardrooms** where internal controls seem to be weak, or where the **statements by directors** are “**boilerplate**” or **inadequate.**”

- A declaration of whether the board can reasonably conclude that the company’s risk management and internal control systems have been effective throughout the reporting period and up to the date of the annual report;
- An explanation of the basis for its declaration, including how it has monitored and reviewed the effectiveness of these systems; and
- A description of any material weaknesses or failures identified and the remedial action being taken, and over what timeframe.

Future of Controls framework

What to Control

Maximising Efficiency and Coverage

How to Control

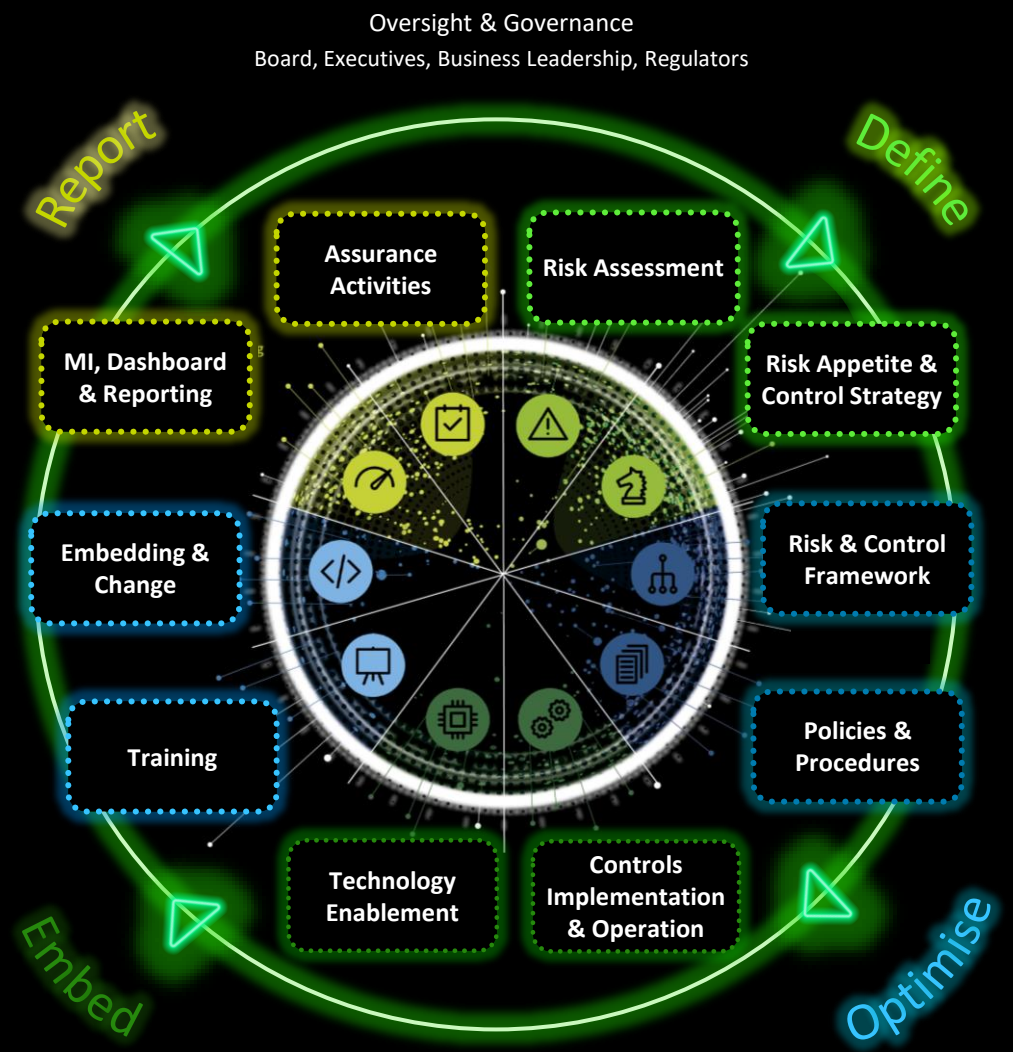
A single view of Risk and Control

How to Assure

Efficient and Real-Time Assurance



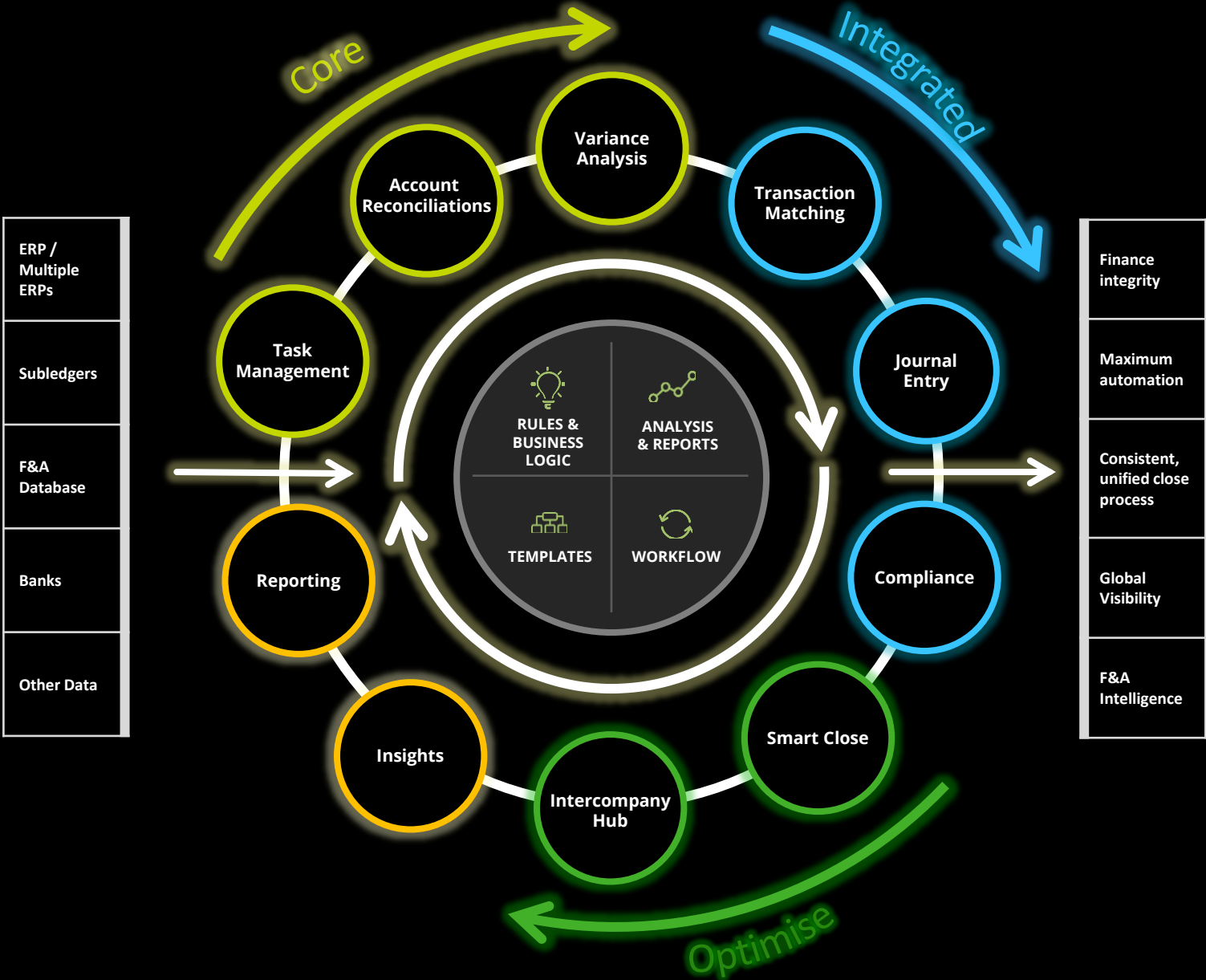
It is critical to take a business-led approach to tech enablement to maximise the value and benefit to your control environment



Controls Target Operating Model

- Strategy
- Org Design
- People
- Technology
- Data

The BlackLine Solution



ERP / Multiple ERPs
Subledgers
F&A Database
Banks
Other Data

Finance integrity
Maximum automation
Consistent, unified close process
Global Visibility
F&A Intelligence

Internal Controls Declaration

Critical to the success of UK Internal Controls Reporting Requirements

End-to-end risk & control framework



Greater awareness of risks when performing risk assessment

Document and manage risk and controls across multiple risk domains

Director accountability & ownership



Increase comfort and transparency over underlying controls

Empowered to take true ownership and drive tone at the top

Technology & data



Supports technology driven controls environment

Controlled interface and integration with ERP systems

Declaration & disclosure



Enhance transparency of controls across all risk domains

Single location for disclosure controls

Assurance



Supports ability to correct balance between monitoring and testing

Auditors able to self service – reducing impact on business



This publication has been written in general terms and we recommend that you obtain professional advice before acting or refraining from action on any of the contents of this publication. Deloitte LLP accepts no liability for any loss occasioned to any person acting or refraining from action as a result of any material in this publication.

Deloitte LLP is a limited liability partnership registered in England and Wales with registered number OC303675 and its registered office at 1 New Street Square, London, EC4A 3HQ, United Kingdom.

Deloitte LLP is the United Kingdom affiliate of Deloitte NSE LLP, a member firm of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee ("DTTL"). DTTL and each of its member firms are legally separate and independent entities. DTTL and Deloitte NSE LLP do not provide services to clients. Please see www.deloitte.com/about to learn more about our global network of member firms.