Assurance by design
Insights for a controls approach to transformation

A controls mindset and assurance-by-design process can help organizations effectively manage operational and strategic risks with new business transformations or implementations. Approaching an implementation process through these assurance-by-design principles and insights for finance professionals can elevate an implementation and governance framework to a controls-conscious transformation.

Start with a controls mindset: Build risk and controls into every step of the implementation process
Developing a controls transformation and assurance-by-design approach for a project’s entire implementation life cycle can give organizations a proactive approach to achieving risk and controls readiness while limiting potential challenges post-implementation. In addition, building in controls with these assurance-by-design considerations may increase the focus on strategic priorities, improve risk insights, risk exposures, costs, and potential disruptions.

Strategy and Approach
A controls mindset often begins with aligning the nature and scope of activities performed by risk and compliance professionals associated with the project to the business process and control owners to better think through control needs and data requirements that may reduce risks and challenges with implementation. Involving the front-line workers who will perform everyday functions helps stakeholders identify needed controls capabilities and define the risk and controls scope to align with business objectives. With this alignment to help inform the overall implementation strategy, the next step is to establish a detailed plan for including controls throughout the project life cycle—from design and implementation to testing and go-live preparation.

Here are what some assurance-by-design methodologies may look like for each phase:

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<th>Design</th>
<th>Implementation and Testing</th>
<th>Preparation to Go Live</th>
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<td>• Develop control requirements early in the process. Map the internal controls design to business requirements, identify key report requirements, and draft initial Risk and Control Matrices (RCM) and configuration documents to start.</td>
<td>• Establish and build an internal controls implementation plan and testing process through implementation. Achieve adherence to the testing plan by documenting controls and business process testing requirements and designing a cadence into the testing catalog.</td>
<td>• Identify remediation plans, if needed, and any potential workarounds for systems issues.</td>
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<td>• To modernize controls, consider opportunities to automate some manual processes and calculations that may mitigate risks, including financial, operational, regulatory, and strategic risks.</td>
<td>• If you have identified opportunities to automate controls, sufficiently test controls and validate them during the transition. Not doing so can increase the risk of the controls not being ready at the go-live date.</td>
<td>• Confirm the governance framework for post-implementation and confirm all roles and responsibilities for stakeholders and process owners. Make sure to provide training to control owners and everyone keyed into the governance framework.</td>
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<td>• Identifying control owners and stakeholder approval considerations early on is another essential component of integrating risk and controls into the implementation process.</td>
<td>• Assess unit testing and accuracy of configuration, and review and evaluate defect closure and retesting of control-related test steps.</td>
<td>• Finalize the controls plan and the control set for the post-live date, and validate the configuration in the production environment.</td>
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Develop a governance framework using Three Lines Model

An implementation strategy that incorporates broad control considerations is consistent with the Three Lines Model, an updated model to facilitate governance offered by the Institute of Internal Auditors. The Three Lines model outlines the roles and responsibilities for each pillar of controls governance, but it is also essential that the three lines work together within the framework.

1. The first line represents the business owners that manage controls, including the front-line processes and activities. Control owners can offer input into the design phase of implementation to approach the management of controls with risk mitigation in mind. They can also collaborate on the overall control governance program to drive compliance and implement proactive monitoring to detect emerging control issues quickly.

2. The second line represents the compliance group that oversees the entire risk and controls program. Compliance will define the process for compliance monitoring and reporting and define regulatory requirements (e.g., OMB Circular A-123, NIST/FISCAM) and validation of controls through a regulator/auditor lens.

3. The third line is internal audit, which acts in an assurance or advisory capacity to provide more objective oversight and governance. The internal audit takes the overall controls scope to align roles and responsibilities with the first and second lines. It can also help ensure the alignment of the control governance structure to new business initiatives, implementations, and acquisitions.

Ask the critical questions for implementation

Controllers are vital stakeholders to any system implementation. When it comes to being genuinely ready from a controls standpoint using the principles of assurance-by-design, controllers and finance professionals should address some crucial questions when planning for implementation:

- What is the scope of controls that will be covered?
- Have we thoroughly considered what we need for controls throughout the implementation life cycle?
- Are we clear on the roles and responsibilities within the organization as it relates to controls?
- What deliverables do each of our stakeholders need as it relates to controls?

Be aware of common drawbacks and difficulties

To avoid possible control deficiencies, inefficiencies, and confusion that may negatively impact business operations or contribute to a failure of achieving business objectives, be aware of and avoid these common pitfalls with a controls approach to implementation:

- Not considering end-to-end business risks
- Missing compliance requirements
- Not aligning with controls stakeholders early on
- Not identifying report requirements early on
- Lacking control owner involvement and buy-in to the project
- Limited or faulty testing of controls
- Missing opportunities to modernize and automate controls
- Not confirming control configurations during the cutover

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