



## Bank Controllershship Modernization

### Embracing the digital evolution

Deloitte is pleased to present an executive summary of our series on Bank Controllershship Modernization. The series focuses on the possibilities of the modern controllershship within banking organizations. We will provide insights into how banking institutions can effectively imagine and enable efficient programs to address dynamic challenges and evolving responsibilities unique to bank Controllershship. These programs will provide the platform for business growth during a time when executives, investors, regulators and other stakeholders are seeking integrity and speed of financial information.

#### The evolving landscape of the controller

We are living in the Age of Information where rapid technological advancements are changing the way we work, think, and communicate. Bank products and services have evolved in this Age of Information, and banks are now facing a confluence of internal and external pressures demanding more and enhanced financial information from finance and controllershship, driving change into a new era — Bank Controllershship Modernization.

In particular, bank Controllershships are facing the continued evolution of regulatory expectations, a need to contain functional costs as margin compression increases, and the desire to have flexible and scalable operations to support greater optimism

surrounding the economic path forward. The convergence of these dynamics widens the sphere of responsibility for today's Controllershship. Emerging alongside these pressures is a new technological landscape, providing Controllershships with unparalleled opportunities to innovate strategies for managing risk, report information with greater speed and accuracy, and provide enhanced insights that are valuable in making critical business decisions.

#### Initial response to change

“Row harder...row faster”

The regulatory tsunami of the last decade did not afford bank Controllershships with adequate breathing room to reassess people, processes, and technologies through an innovative and strategic lens. Instead, immediate action was required, and controllers relied heavily on existing finance processes and the general ledger to capture and control information and make it available for new reporting demands and inquiries. This reliance on the general ledger significantly increased the general ledger's size through expanded charts of accounts and stretched its capabilities, which led to challenges in managing and reconciling financial results.

It has been common for Controllershship to be organized within the lines of business to provide more granular data for decision

making by the organization and other downstream users. In this model, “Shadow-finance” groups emerged to supplement general ledger information and provide ancillary data, analytics, and product level details for various external and regulatory reporting needs. These new groups decentralized some of the traditional controllershship activities and added to proliferation of multiple versions of financial information.

The rapid increase in bank Controllershship responsibilities resulted in suboptimal and costly infrastructure and operations, along with fragmented governance.

#### The modern response

Bank growth expectations and the emergence of new viable technologies are driving a modernized approach to change. Bank Controllershships are beginning to seize this unique opportunity of embracing Digital Controllershship™ as they take steps to streamline their operations and adapt their governance structures.

“Bank controllers have an opportunity to streamline operations and thrive in the modern era by embracing Digital Controllershship™”



### Define the target operating model

To position the Controllershship for success, designing the optimal model for Controllershship in the new paradigm is essential. Define what Controllershship delivers and the model that will achieve its strategic goals within the unique corporate culture of the bank. Re-gain command and control of financial information by establishing clear roles and responsibilities around the end-to-end reporting process and strategically deploying resources against those roles. Leverage automation technologies within data management and regulatory reporting knowledge centers to streamline and standardize well defined accounting and reporting processes. Explore innovative ways to leverage and expand the use of service delivery models such as Centers of Excellence, which can be beneficial in scaling complex processes while increasing quality and reducing processing errors, and utilizing managed service providers that can maintain control effectiveness while reducing application and operating costs. These realignments will support cost stabilization, efficiency, effectiveness, and operational agility.



### Elevate the "controllershship game"

The key is for Controllershship to recognize that data is currency and that "bits and bytes" are as much a part of Controllershship's DNA as "debits and credits." Start by rationalizing finance systems and processes, balancing the need for "best in class" systems versus foundational technology designed for multiple uses across the controllershship function.

Adopt an integrated risk and finance data model that establishes authoritative data sources and standardizes data to enable consistent sourcing of instrument level details. Integration will enhance

multi-dimensional reporting capabilities and maintain a consistent and integrated finance view of the bank's products and services. An integrated set of financial data will also provide a foundation for analytics and insights, and support other functional areas including planning, credit, pricing, risk management, and regulatory reporting. Enhanced finance and robotic process automation can be utilized to standardize routine and non-routine accounting and reporting processes such as account reconciliations, journal entry calculations, and financial and regulatory disclosures. Strategic use of automation technologies will further drive efficiency and effectiveness by reducing manual processes and cycle times, increasing speed and accuracy, and freeing up capacity within the controllershship organization. Leveraging technology enhancements and data integration can elevate Controllershship with faster reporting speeds, more in-depth analytics, and support for better business decisions.



### Adapt governance to the modern landscape

As Controllershship operating models and processes evolve to take advantage of the technological advances, it will be critical to also take steps to modernize the corresponding governance frameworks to ensure all stakeholders are aligned against risk parameters. Key components of this modernization will include clearly defined roles and responsibilities across risk, SEC, and regulatory reporting processes, alignment between reporting and Data Governance frameworks, and enhancements to policies to address new and emerging technology related risks (i.e. "automation technology risk"). In addition, internal control and compliance testing methodologies should be re-evaluated to address changes in the risk environment due to shifting delivering models and new technologies, while looking for opportunities

to streamline testing methods through automation and managed service delivery approaches.

### Bringing it all together

While the modernization of bank Controllershships will require specific enhancements across operations, technology, and governance structures, the key to success will be in establishing a holistic short term and long term strategy. This strategy should leverage emerging technologies to deliver quick wins, while also outlining a long term vision and plan for transforming technology platforms that enable more efficient and effective operations and governance activities.

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Published by the

**Center for  
Controllershship™**

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