Since 2008 Swiss companies have been audited on the existence of a formal Internal Control System (ICS) regarding financial reporting. KPMG conducted a survey to assess the sustainability of ICS related processes focusing on the design and setup of the ICS, the benefits it provides to the business and the initiatives taken by the companies to optimize their control frameworks. The survey allows for qualitative benchmarking.

Six years after ICS implementation – where are we today?

- ICS implementation mainly focused on compliance and documenting the “as-is” state without looking for operational improvements.
- Control design is primarily manual and detective; existing functionalities of IT systems are often not considered; recurring costs to maintain the ICS are often not assessed.
- Updates of the ICS documentation are not always systematically managed. Resulting gaps between actual state and documented ICS could lead to more issues raised by the external auditors.
- Management and monitoring of the ICS is less than adequate. Executive Management’s expectations regarding the effectiveness of the ICS frequently exceed the actual control execution rate in the business.
- Long-term sustainability is not always adequately considered as an element of the ICS strategy. Management of the ICS is often based on stand-alone documents. The level of formal interactions between process/control owners and the ICS coordinator is not always effective.

Six years after ICS implementation – where are we going?

- Create value by maintaining the attention of the process and control owners towards the importance of the ICS.
- Make it simple and reduce complexity of the ICS. Increase acceptance by training the responsible process and control owners.
- Keep costs under control by analyzing the current control catalogue and assessing the potential for control redesign (i.e. better alignment with IT functionalities, optimized testing procedures).
- Ensure feedback through regular follow-ups on changes to processes and controls; continuous communication of ICS agenda to the business and to Executive Management.
- Keep it alive by considering the use of ICS tools and assurance procedures; make sure ICS documentation is available and up to date.

KPMG survey on “Sustainability of Internal Controls”

Companies surveyed: Medium to large Swiss companies (incl. multinationals)

Benchmark: More than 60 companies assessed for the set-up and sustainability of the Internal Controls System

Represented industries:
- Chemicals & Pharmaceuticals
- Communication & Media
- Retail
- Energy
- Technology
- Transport
- Public Sector
Our competencies in the area of ICS

- **Implementation**: Supporting the implementation of an ICS based on KPMG’s proven ICS methodology.

- **Optimization**: Analyzing the current ICS framework and assess the potential for improvements (e.g. control reduction and automation, configuration of the ICS testing procedures, development of a sustainability concept).

- **Benchmarking**: Performing peer review of the ICS with comparable companies and identify possible areas for improvement; supporting the assessment of recurring ICS costs for ICS maintenance, control execution and testing.

- **Testing**: Supporting the recurring assessment (control design and control effectiveness) of the ICS, including support at local sites, design testing procedures and assisting with the development of self-assessment procedures.

- **Update**: Supporting the update of the ICS documentation, e.g. revision of process and control descriptions, re-performance of the scoping exercise, or review of the ICS manual.

- **Sustainability/Development**: Supporting the development and implementation of a long-term ICS sustainability concept.

- **COSO 2013**: Review & assess the ICS framework based on the new COSO 2013 principles.

- **IT General Controls**: Supporting the implementation, updating and testing of IT General Controls.

- **Tools**: Supporting the development of a business case to implement an ICS tool (e.g. define requirements catalogue, perform market analysis and product selection, analyze interfaces with other IT applications, and support implementation).

- **Control Automation**: Analyzing the current ICS control catalogue, and identifying and assessing the potential for control automation based on functionality of existing IT applications including assessment of cost saving potentials.

- **Segregation of Duty Concepts**: Defining, documenting, implementing or auditing Segregation Of Duty (SOD) concepts in full, including user access management using specific IT tools.

- **ISAE 3402**: Assisting with the assessment of controls outsourced to external service providers (e.g. certification of control design, fairness of presentation and assessment of control effectiveness).

- **Integration**: Supporting the consolidation of Governance, Risk & Compliance initiatives and tools and assist with setting up an integrated Enterprise Risk Management framework.

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