



# Compliance by Design and Control Automation

Telecommunications Sectors



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# Introduction

**Compliance by Design involves embedding assurance testing procedures into processes and controls at the design stage, enabling firms to ensure suitability of processes and integrate resilience of controls to new and existing services. Firms operating in the Telecommunications sector can leverage Control Automation and the latest technologies to automate and optimise controls.**



The Telecommunications sector is critical to our global economy. It serves as the backbone of modern global connectivity, facilitating communication, commerce, and innovation across vast distances and diverse populations.

In recent years, this sector has experienced unprecedented change creating a shift in the landscape. This is driven by:

- New and complex regulation;
- Increased state investment;
- Market evolution;
- Inflationary pressures;
- Transition to a green economy;
- Economic dependencies; and
- Geopolitical tensions.

As regulation is becoming more rigorous, statutory bodies such as the Commission for Communications Regulation (ComReg) continues to exercise and enhance its supervisory functions. There is an increased requirement for firms to manage obligations to meet industry standards and comply with specific regulations.

“We have seen a number of companies impacted by a regulatory environment that is increasingly focused on consumer protection. This added to the new regulations for protection of critical national infrastructure and digital services mean that a new approach needs to be considered. For many years now the Financial Service industry has been dealing with the growing burden of regulation. Approaches adopted in this industry are now becoming relevant to Telecommunications companies. Compliance by Design has become an essential consideration for all systems and business process.” – Colm O’Neill, Partner, KPMG in Ireland



# Why must firms take action

A number of complex regulations and requirements are being developed domestically and by the European Union, building upon existing legislation such as the Communications Regulation Act 2002. This relates to risk management, new technologies, consumer protection, climate action and pricing. There is a risk of fines caused by potential regulation breaches by firms in the Telecommunications sector. This could lead to reputational damage, undermining confidence in Irish operators.



Firms must comply with regulatory frameworks that are significantly increasing in scope, complexity and pervasiveness. Changing technologies, risks, regulation and ways of working create an opportunity for firms in the Telecommunications sector to take a proactive risk management approach.

Businesses operating in the sector can optimise and automate their risk and control frameworks, driving efficiency, effectiveness and sustainability while aiming to reduce risk.

Firms that take the opportunity to update their approach are likely to make significant improvements to their risk management activities while reducing the risk of negative outcomes for consumers.



## €3 M

### Unfair Complaints Handling:

A Telco was told by the telecoms regulator ComReg to refund 107,000 customers a total of €3m, after admitting that it had been overcharging them for six years.



## €1.3 M

### Overcharging:

A Telco has to refund up to 74,000 customers €1.3m in “post cancellation charges” after trying to withhold the wrongly-taken cash in exchange for “credits” on inactive accounts. It also gave back a further **€790k** in other credits that remain on inactive accounts.



## €2.4 M



### Failure to End Contracts

In 2023, a telco was fined **€2.4 million** for multiple **regulatory** breaches including the failure to cancel contracts, continuing to charge customers after they had ceased contracts and overcharging customers.



# Regulatory context

- Manual assurance approaches underpin existing business models. Existing assurance models tend to lack end-to-end oversight and focus on testing narrow sub-sets of the full consumer population in an attempt to detect instances of consumer detriment. Activities and processes which result in disadvantages to customers may therefore remain undetected until a critical mass is reached. The use of the latest technologies across the risk and control lifecycle in the Telecommunications sector would result in the early detection of errors and the rapid deployment of corrective measures.
- Legacy systems operating within a changing and complex IT environment may require assessment to ensure their operational efficiency. Existing processes and controls may not be optimal and require readiness assessment against a backdrop of a changing regulatory environment.

 <b>Regulation</b>	 <b>Effect / Requirement</b>
EU Digital Operational Resilience Act (DORA).	Pursuant to the Act, companies must ensure the strength of existing risk management requirements and build upon Information and Communications Technology (ICT) risk requirements.
Communication Regulation and Digital Hub Development Agency Act 2023.	This brings the Commission for Communications Regulation powers in line with those of Irish regulators in other sectors and with telecommunication regulators across the EU.
EU Artificial Intelligence (AI) Act.	The proposed EU AI Act, which is expected to be passed in 2024 sets out risk categories and their applications to the use of AI within organisations.
Consumer Protection Code (CPC)	The revised Code will be contained in two new Central Bank Regulations. The first will set out Standards for Business, complemented by Supporting Standards for Business. This will replace the existing General Principles of the Code. The second will set out General Requirements, including new protections and existing requirements on a cross-sectoral and sector-specific basis. The CBI also plans to consolidate a number of existing Central Bank codes into the General Requirements.
Electronic Communications Code	This code sets out rights designed to facilitate the installation and maintenance of electronic communications networks.



# Control improvement opportunities typically have the following indicators:



- Processes with approvals
- Rule based processes
- Highly manual tasks



- Critical processes
- High volume tasks
- Master data inconsistencies



- Highly repetitive tasks
- Employee intensive tasks
- Mature offshore operations



## How can KPMG help?

KPMG can help organisations achieve a fully integrated and automated risk and control lifecycle. We have supported a number of organizations in defining their strategy and executing their vision for control optimization and automation. Our subject matter professionals have years of experience and knowledge in risk, controls, compliance, finance, technology, automation and data. With our experience and knowledge, we have developed leading methodologies and tools and worked with industry-leading technology providers. Compliance by Design and Control Automation provides a holistic approach to identify early warnings of service issues: reducing the potential for future corrective action, increasing operational efficiencies and driving better outcomes for consumers.

# Our expertise

KPMG aims to provide firms with a comprehensive understanding of the challenges surrounding products and their underlying control environment, introducing automation and preventative controls during product design. Our approach aids this by reducing the manual effort required in assuring products and building data-oriented tools that place consumers at the centre of product design.



## **We are risk and control focused**

We put risk and control at the heart of what we do and take control by design approach. We believe that if you can manage risk and control well, compliance with regulation will come naturally.



## **We have leading people**

Our leadership team have practical experience with approaching your challenges and problems. This is supported by technical experience in the latest methods, regulations, and technologies across a range of industries.



## **We offer an integrated digital solution**

Our digital solution is modular, wide-ranging, and integrated. There are no handovers, with clear ownership from start to finish.



## **We have a wealth of resources**

We have a blend of risk, control, technology, data and automation experience. This means we can approach problems comprehensively using leading methods and technologies, enabled by KPMG professionals, assets, tools and alliances.



## Our process

We understand how consumer-centric firms will look in the future, especially as the EU transitions towards a greener economy. This is reflected in our Compliance by Design key considerations and benefits, which incorporate the role of assurance with a consumer-first approach. KPMG have supported a number of organisations in defining their strategy and executing their vision for control optimisation and automation.

KPMG has worked with several firms to ensure their compliance with multiple regulations, including those providing products and services to consumers. We will leverage our client base to support the implementation of your Compliance by Design approach by providing insight into what peers are doing in relation to assuring their services. Our knowledge and understanding are based on a first-hand experience of working with industry peers and Regulators on their assurance programmes.

We will provide a core team that you can trust, with a track record of delivery and extensive experience of client focused operating models. Our team has the right skills to mobilise quickly and efficiently, to ensure smooth and effective delivery of the project. We bring a distinctive variety of skills from product subject matter expert (“SME”) knowledge, conduct and risk expertise to data analytics and applied intelligence.



## Key considerations and benefits

- **Compliance by Design** entails moving from a reactive approach to one that demonstrates a proactive and preventative strategy to risk. Where assurance testing is embedded from product design, instances of consumer detriment can be identified from the date of launch and into the future, encompassing the entire product lifecycle.
- **Control Automation** can enable businesses to optimize and automate risk and control frameworks to drive efficiency, effectiveness and sustainability while aiming to reduce risk.
- Compliance by Design and Control Automation will be important factors to consider as the CRU has announced that they will continue to monitor the marketplace to ensure it continues to function as it should, and to ensure that customers remain protected.
- Optimised and automated controls enhance monitoring capabilities and provide a more dynamic and real-time view of control effectiveness through **key control indicators (KCIs) and continuous control monitoring (CCM)**. Additional potential benefits can include better quality data (including the ability for consumers to self-serve), embedded assurance into processes, and real-time issue identification and resolution, all of which can lead to reduced risks, reduced impact when things go wrong and more insightful reporting and assurance.
- This can be achieved through **capturing control data, effective data lineage and automated reporting through defined logic and indicators** — linking regulation to policies, processes, risks, controls and automating outputs. This lineage provides a timely feedback loop to assess whether controls have been designed, implemented and are operating effectively to help reduce risk. This approach helps EUT service providers integrate and interpret risk and control data from multiple platforms.

# Contact us



**Shane Garahy**  
Partner,  
Risk Consulting  
KPMG in Ireland  
t: +353 87 050 4848  
e: [shane.garahy@kpmg.ie](mailto:shane.garahy@kpmg.ie)



**Colm O'Neill**  
Partner,  
Management Consulting  
KPMG in Ireland  
t: +353 87 111 6982  
e: [colm.oneill@kpmg.ie](mailto:colm.oneill@kpmg.ie)



**Andrew Connor**  
Director,  
Risk Consulting  
KPMG in Ireland  
t: +353 87 050 4071  
e: [andrew.connor@kpmg.ie](mailto:andrew.connor@kpmg.ie)



**Kim Au**  
Manager,  
Risk Consulting  
KPMG in Ireland  
t: +353 86 103 9925  
e: [kim.au@kpmg.ie](mailto:kim.au@kpmg.ie)



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