



cutting through complexity

KPMG Smart Controls

Putting you in control of your controls

kpmg.co.uk



Our solution for Control Testing, Assurance and Reporting

Clouded by controls

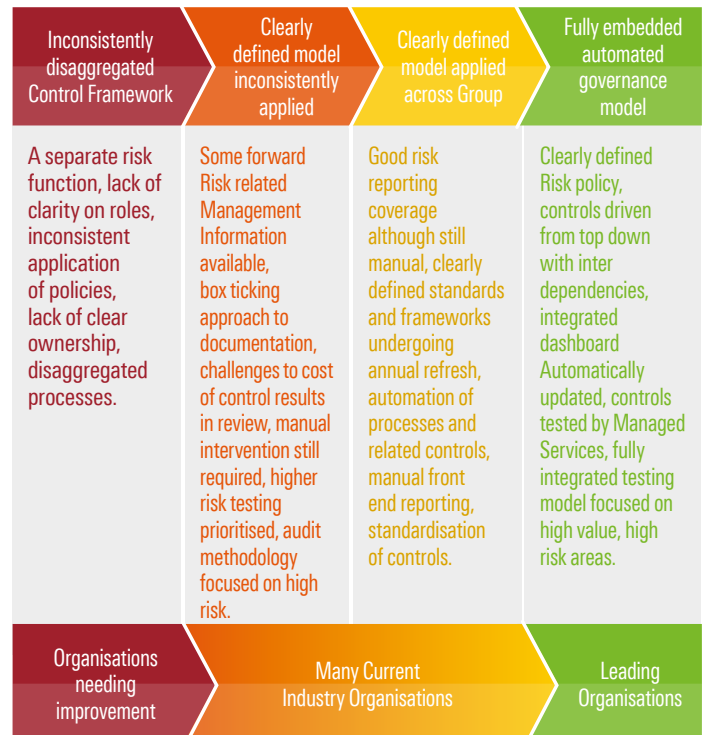
Many organisations operate thousands of controls to meet a multitude of external and internal compliance needs.

The complexity of the control environment can be overwhelming and make it impossible to be sure that the controls mitigate the risks you face – which defeats the purpose of implementing the controls in the first place. We call this being clouded by controls.

Every one of these controls needs to be tested to ensure it is effective. This is often a huge undertaking and can be impacted by a lack of experienced staff.

We have seen controls tested many times in one year, by different teams, to accommodate each compliance, operational and regulatory need - and as a result costs increase and the business suffers significant disruption.

An effective testing cycle should highlight the overlaps and redundancy within your control estate and, more importantly, alert you to the unmitigated risks you are still running. It is time for Smart Controls.



Top risks for organisations



Increasing regulatory focus

Simple control failures have resulted in a staggering range of financial loss and reputational damage across many industries.

Not only do these control failures lead to sizeable remediation costs, the incidents can also carry significant regulatory fines and increased regulatory focus on the impacted businesses.

These failures can be traced back to a lack of stability and robustness of the overall control environment.

Significant control failures lead to increased regulatory scrutiny and ultimately to a greater compliance burden.

It is critical that organisations ensure a reliable and sustainable control solution is in place to meet the compliance burden.

This solution must provide repeatable, continuous, in-depth testing, assurance and reporting over the control environment – allowing the organisation to focus on its business and its customers. It is time for Smart Controls.

Our approach specifically tailored to your needs...

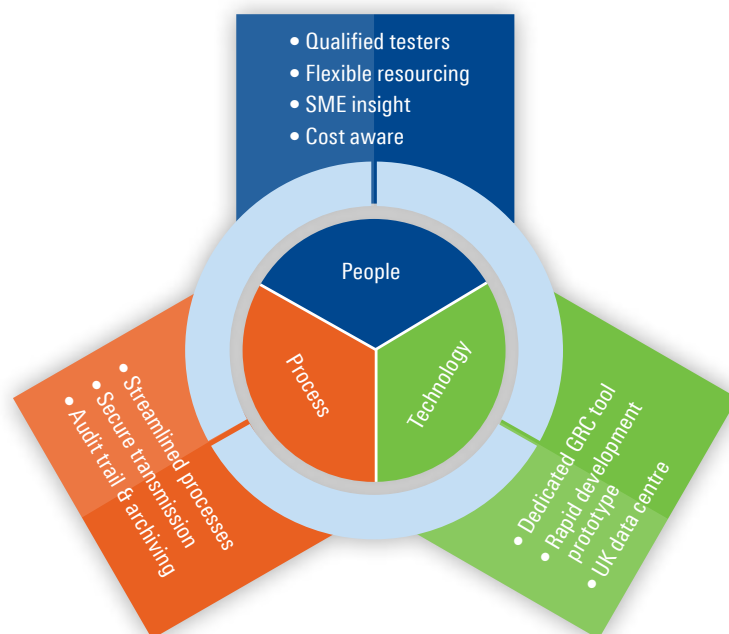
The Smart Controls solution

Our Smart Controls solution is specifically designed to cater to the needs of your complex control environments. Our approach integrates People, Process and Technology, designed to meet operational, regulatory and compliance requirements, provide necessary management oversight and reduce workplace demands.

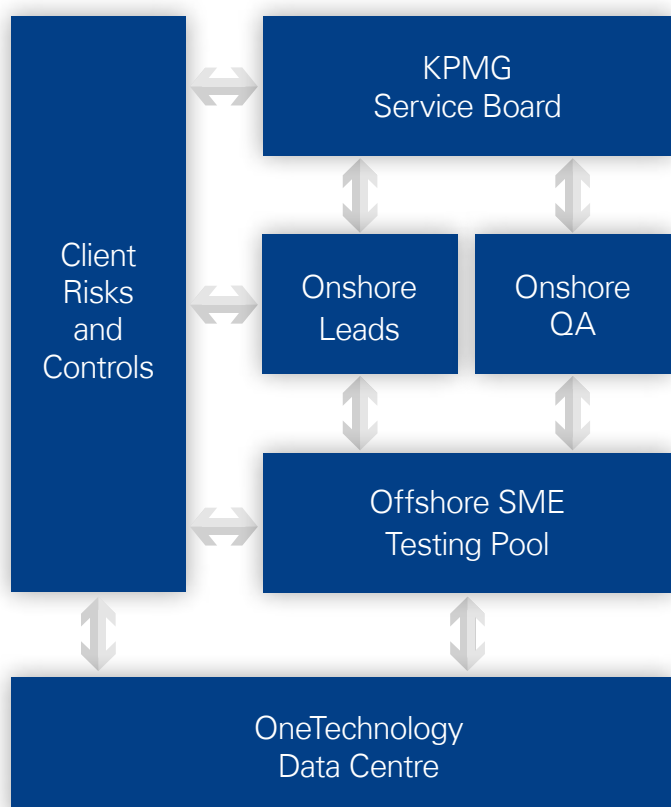
Smart Controls works to maximise efficiency by implementing repeatable testing of controls through technology. It also, by its very nature, has been designed to emphasise cost optimisation without compromising quality.

It is tailored to deliver recurring testing and reporting cycles as a managed service while working to ensure sustainable quality through the implementation of a clear methodology with experienced subject matter experts and highly qualified testers at the helm.

The managed service leverages KPMG's Global Services (KGS) resources in an onshore/offshore model. KGS provides a critical mass of specialist capabilities and experience in a wide spectrum of industries, using proven methodologies, processes and tools. KGS also helps broaden client capabilities by adding value to the control framework, including remediation and benchmarking.



Smart Controls is a solution designed to fit all organisations across all industries. It can support your first, second or third line activities and manage a wide range of compliance processes.



People : Delivering professional standards

The Smart Controls onshore/offshore model combines cost and operational synergies to provide a coordinated control testing, assurance and reporting function.

The onshore leads bring subject matter expertise and face to face accountability, and bring to bear the full weight of our client insight. The leads manage our service and work closely with the quality assurance team to give you the fullest confidence in our work.

The offshore SME testing pool provides a dedicated team of client facing professionals with proven global experience. We can flex this team to suit your changing requirements over the testing lifecycle.

The KPMG Service Board is responsible for monitoring, reporting and managing changes to our overall service. It aims to ensure our service is at all times transparent and responsive.

Our global network of firms enables us to provide our people where you need them.

...Allowing you to focus on what is important to you.

Technology: Putting you in control of your controls

Our service is underpinned by a leading Governance, Risk and Compliance (GRC) tool designed to revolutionise your ability to manage and understand your compliance programme.

The tool is configured with your control framework and compliance process. It provides:

- Single view of your entire control framework
- Control, process and risk libraries that link across frameworks to promote the desired 'test-once, report many' efficiencies
- Testing workflow to enforce adherence to rules for each stage, with a full audit trail and the ability to view evidence against each test
- Automated alerts to control owners and operators when actions are due
- Links between issues, controls and risks to enable appropriate remediation plans
- Built in Quality Assurance and acceptance approvals

The final benefit of the tool is the powerful reporting capability which provides real-time analytics on progress, issues and trends. Users can drill down from dashboard to detail in a few simple clicks.



Our rapid deployment capability has been built to ensure that these benefits are delivered from the outset – not after a lengthy implementation. For organisations with an embedded tool of choice, we can also augment your existing tool set or simply use your existing systems.

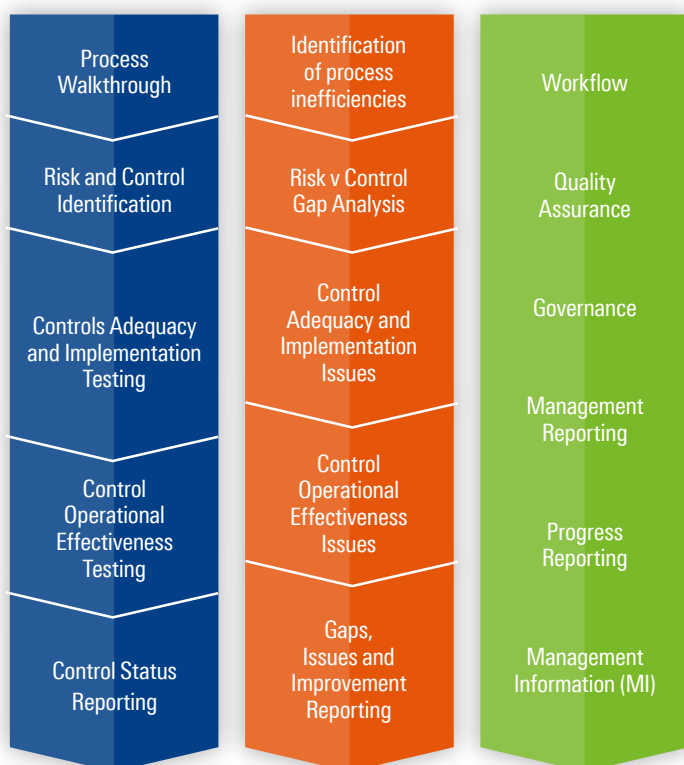
Process: Test Properly, Test Once, Report Many

A complex compliance burden requires a harmonised testing approach. Our SMEs are experienced in designing and implementing testing processes to meet your compliance needs. They:

- Use our risk-based methodology to identify key risks and evaluate controls to mitigate these risks
- Assess the design and operational effectiveness of controls
- Identify areas of improvement, gaps and weaknesses
- Prioritise issues by risk and consider impacts across businesses, processes and geographies
- Assess remediation approaches and improvement opportunities, incorporating industry leading practice solutions
- Track issues through to resolution and implement repeatable tests to ensure sustainable remediation
- Provide constant oversight and Quality Assurance through the testing and reporting process

By providing dashboards and ad hoc reporting at a personal, business unit and organisational level, the reporting process allows you to focus key resources away from spreadsheet management and on to valuable risk management.

The application of this approach across all of your compliance processes means we can truly harmonise the testing effort designed to achieve the 'test once, report many' goal.



Easing the compliance burden

Your concerns, our solution

Many organisations operate thousands of controls to meet a multitude of external and internal compliance needs. This compliance burden can be exacerbated by a number of organisational concerns, including:

- High cost of controls testing
- Lack of experienced testing personnel
- Constantly evolving compliance and regulatory requirements
- Inability to focus on core business capabilities
- Recurrence of control incidents

How KPMG can help you

• Deliver effective control testing

Our Smart Controls solution provides the ability to perform and benefit from repeatable, in-depth, tailored controls testing as frequently as required to provide assurance over the health of the control environment.

• Identify areas of efficiency

Smart Controls can be used to develop efficiencies in control testing. By harmonising testing processes, we reduce the testing effort and the impact on your business.

• Improving your control environment

Rapidly changing regulation and the evolving nature of business increase the need for a robust, and efficient control environment. We can help you identify the areas of improvement within your control environment through Smart Controls.

CASE STUDY

What were the requirements?

KPMG was asked to assist a leading financial services institution in designing and testing its control environment to ensure compliance. Over 1000 controls needed to

be tested across their SOx, Payment Certifications and Internal Policy compliance frameworks.

What did we do?

We spent 12 months helping our client to manage their compliance with SOx, Payments Certifications and internal policies – in essence designing and executing their control testing processes across 1000 controls globally.

After a year of successful delivery, they asked us to develop a cost efficient approach to running this work on a repeat basis over the next 5 years and so we developed Smart Controls.

We have designed each element – People, Process and Technology – to produce a delivery mechanism which can be used to perform any repeat testing of controls. The key components are:

- On-shore SMEs to lead the work, improve testing processes, quality assure delivery and support the client on a daily basis
- A professional offshore team to execute control testing

- A rapid-deployment workflow tool that enforces process and standards, ensures consistency, harmonises control frameworks and – for the first time in many cases – shows stakeholders the true picture of their control estate.

We have significantly reduced the spend on controls testing, increased the experience and quality of the testing team, introduced flexibility to cope with fluctuations in workload and developed a tool that gives our client real-time insight into progress, issues and accountabilities.

Further benefits will come from the harmonisation of the various control frameworks, which we are currently building into the system. Having captured all of the control testing requirements for each regulation and policy, we are able to 'test once, report many' for each control – and deliver a huge increase in efficiency and reduce disruption to the business.

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