Integrating technology and automation to meet compliance and regulatory demands amid economic volatility

Is the current economic environment presenting the opportunity you've been waiting for to finally tech-enable your compliance activities?

Enterprise Control

A PwC Product

We're experiencing an economic downturn with the possibility for more turbulent times ahead. Nearly three-quarters of CEOs project that global economic growth will decline over the next 12 months. This kind of environment can take a toll on businesses and increase labor disruption globally, with as many as 81% of chief human resources officers (CHROs) taking at least one action to shrink their workforces "to a great extent."

And it's not just small to mid-size businesses that are tightening their belt. Blue chip, public organizations are engaging in layoffs as well, whether it's offering early retirement packages, engaging in performance-based headcount reductions, hiring freezes or simply not replacing employees who leave or are downsized.

This brings a whole new challenge to the forefront for organizations because regulatory scrutiny and compliance requirements don't go away when times are hard. In fact, they're more likely to increase. The bottom line? Companies that find themselves having to reduce headcount will need to find alternative ways to accomplish the same or more from a compliance perspective in order to stay on the right side of auditors and other regulatory bodies.

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Finding a smarter way to meet compliance and regulatory requirements

Can specialized software relieve some of the burden created by the loss of critical resources in the compliance domain? **The answer may lie in how organizations start to think about how they can integrate technology and automation to mitigate resource challenges.**

Related, there's no indication that companies are slowing down their quest for digital transformation. As more organizations seek to reduce their technology debt by moving to cloud-based business applications, introducing technology that can automate time-consuming manual activities will remain at the forefront of executives' strategic priorities. Compliance activities can be obvious candidates during these kinds of transformations.

Here are two key ways to look at this current business challenge and its necessary solutions:

1. **Identify controls and activities that represent good candidates for automation**

   Take stock of the activities being performed before and after a change in your workforce. There may have been a dedicated team or individual responsible for confirming a control is operating effectively or that the control is being tested appropriately. If that team or individual is no longer a resource, what can you do next?

   First, take a look at whether the operation of the control is the most beneficial to your business. Is it covering the full risk? Is it over addressing the risk? Are there actions your business application performs that you could place reliance on versus always reverting to a manual catch all control? If not, should your system be doing something? Is there an opportunity to optimize the control activity? After evaluating your current process, think about alternative approaches to those activities with the use of technology to fill the identified resource gaps.

   The more control reliance you can embed into your system, the more opportunity you have to replace manual efforts with technology automation. Leveraging PwC's Intelligent Controls Diagnostic, we've found that a significant portion of public organizations have a tremendous opportunity to increase their reliance on system-based controls compared to the more time consuming manual alternatives. Our benchmarks show that on average, only 15% of a typical company's controls are currently automated and streamlined. But risk executives are making more moves to invest in automation. One PwC analysis of Sarbanes-Oxley controls at more than 70 companies illustrates that a 15% increase in automation can yield a 10% decrease in compliance costs.

When you introduce automation to support compliance and regulatory requirements, the outcome can not only lead to increased quality and increased trust, it can also decrease the manual labor needed to produce those results. For example, consider replacing manual activities, reconciliations, business performance reviews, with a solution that can generate exception based reports on a more frequent basis. Reports that identify only what you need to be looking at and when. You may find that you had hundreds, if not thousands, of hours per year dedicated to the tedious and mundane task of reproducing similar steps manually and interpreting the results on a less frequent basis — now is the time to encourage efficiencies and drive change into the processes of the past.

We saw this during the height of COVID-19. Businesses had to shift their approach to compliance as their work environment changed dramatically. Those who had introduced technology throughout their compliance activities had better success in continuing to operate their controls as employees had to work outside of their regular office environment. Put simply, their controls continued to operate more effectively despite the change to their employees daily routine. The system kept working. This is another case of disruption — having to do just as much, or more, with less.

2. Lean into new system implementations early and create a sustainable controls environment

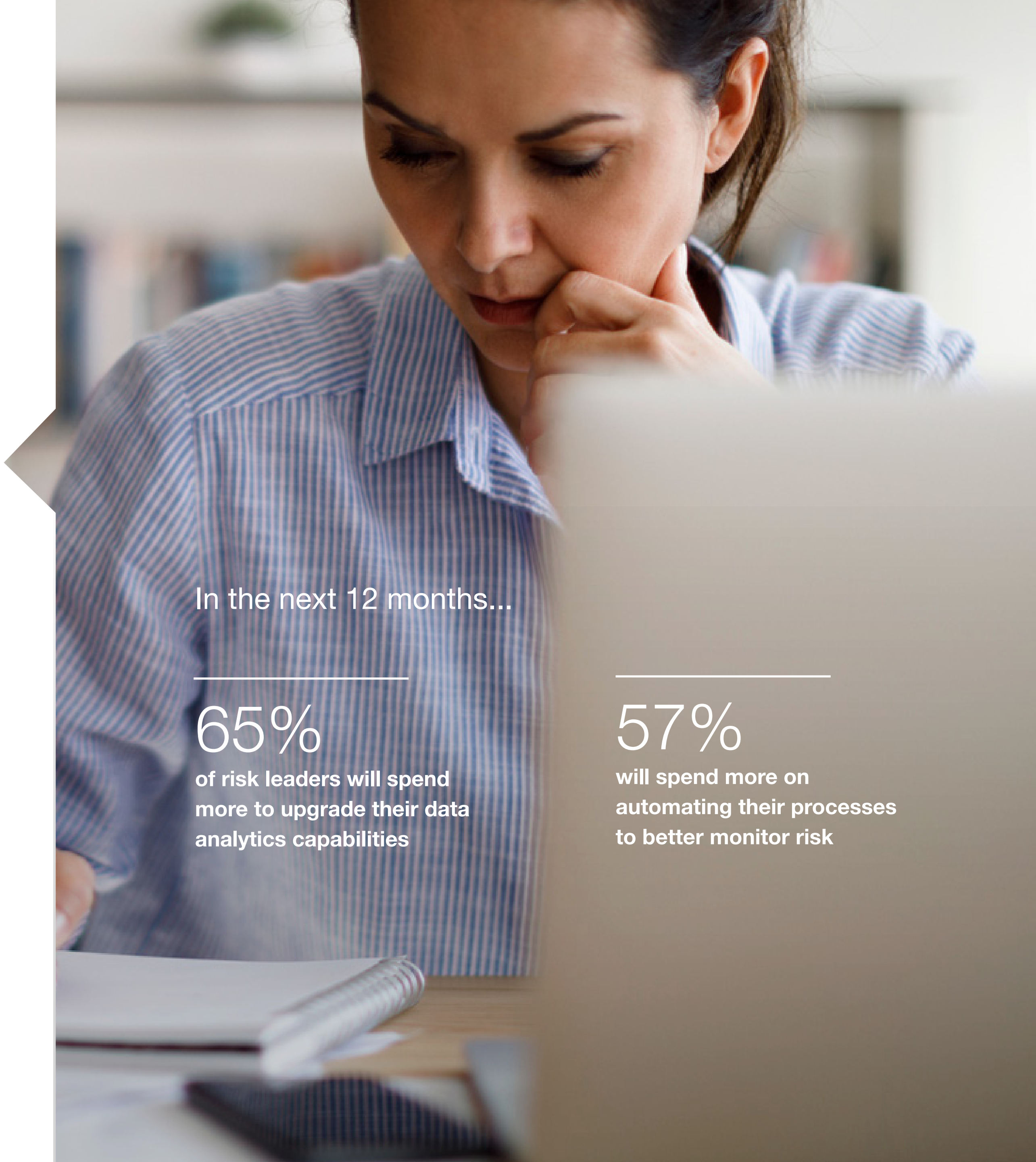
Many organizations continue to implement enterprise resource planning (ERP) systems, (in particular SAAS Applications) regardless of the economy or current labor market. There are a multitude of benefits in continuing to do so, including moving to the cloud for enhanced security, long-term cost savings — and an opportunity to identify, design and build efficiencies into a company's business processes.

Whether it's ERP, HCM, SCM or EPM transformations, there's no indication that the business and technology transformations organizations had planned are slowing down. These transformations represent a great opportunity to reevaluate your approach to compliance, dust off the cobwebs and take a fresh look at control sets that may not have improved in over a decade.

As your systems are being designed, consider where there are risks to your business. Security and controls should be embedded throughout the implementation to help mitigate identified risks. As security and controls are designed, it's an ideal time to consider investing in a continuous monitoring and automated testing solution. The investment can yield visibility into all corners of your business if unexpected events occur or outliers arise, and it can also help safeguard the investment you're making in your new business application ecosystem.

From a testing perspective, a continuous monitoring and automation testing solution can help you stay ahead of your auditors, surveying full populations, enabling a more data-driven approach without also enabling an increase in time or cost to do so. This change in methodology is at the forefront of next generation external audits, where sample based testing is becoming a concept of the past.

As with any major change event, collaboration across the c-suite is a key consideration when undergoing a system implementation — transformation is a group effort and will require each business function to weigh in on requirements, particularly to the exposure of new risks. Over the next 12 months, 65% of risk leaders will spend more to upgrade their data analytics capabilities, and 57% will spend more on automating their processes to better monitor risk.



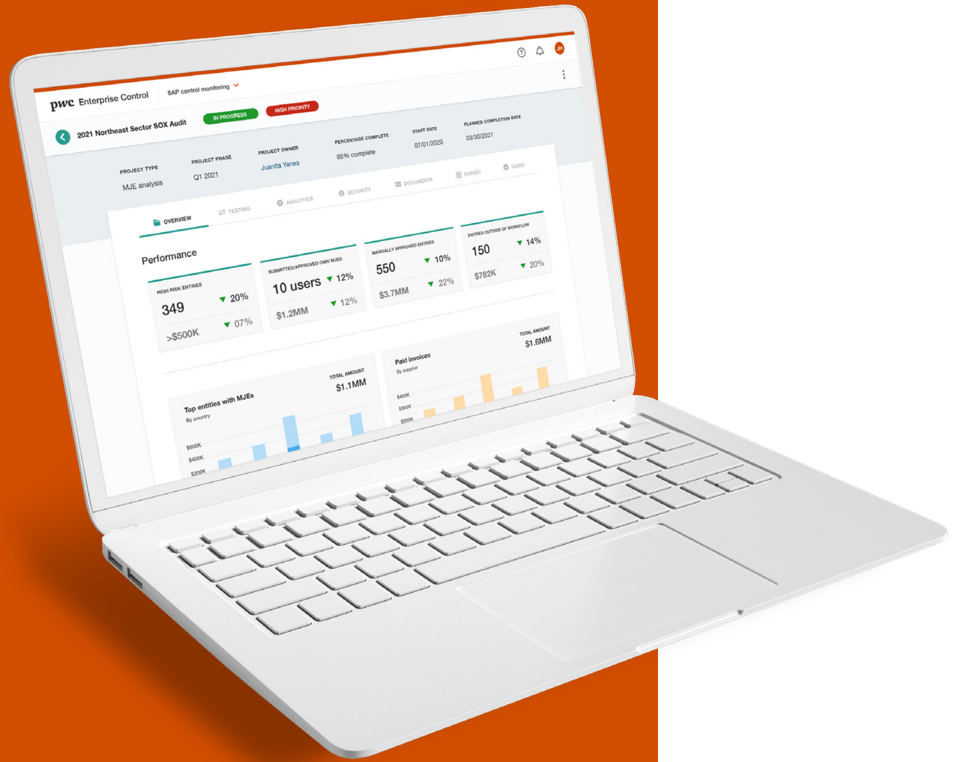
Operate and test your controls with a purpose built product: Enterprise Control

Strong controls are critical to preventing significant disruption — and a tech-enabled approach to monitoring and testing controls can help you drive more value.

Enterprise Control, a PwC product, is a technology platform infused with trusted PwC knowledge to automate controls operation and testing. It can monitor systemic risks proactively with easy-to-use dashboards and can automate control testing in an end-to-end risk and control solution.

With Enterprise Control, an organization can lower the cost of compliance with automation, exert control over unexpected risks, and designate accountability to drive quicker response and results. With the ability to automate the creation of test workpapers based on PwC's knowledge of enterprise applications and internal controls, our solution will help reduce the need for manual execution and testing time without sacrificing the quality and accessibility of information needed to produce results.

As technology advances and your workforce strategy changes, your business' automation should scale accordingly. Enterprise Control allows you to work smarter, better leverage your current resources and drive your compliance program more efficiently.



Automate the operation and testing of controls. With PwC-powered technology and knowledge, Enterprise Control helps you manage risk and compliance costs.

Connect with our team to learn more.

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