

2023 Compliance and Controls Survey: The State of the Industry

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August 16, 2023



The Association of
Accountants and
Financial Professionals
in Business



Featured Presenter

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Learning Objectives

1. Review the state of compliance and controls
2. Gain insights for your compliance programs to accelerate transformation
3. Dive into the biggest risks and missed opportunities

Agenda

1. Introduction

2. The Study:

- a) Activities: What is the function doing?
- b) Staffing: Who is doing it?
- c) Technology: How are they doing it?

3. Q&A



About FloQast

Accounting Workflow Automation

Purpose built by accountants for accountants

We help **accounting teams** achieve **operational excellence**



FloQast was
founded in
2013



~70%
of Front Line
FloQasters are
Accountants



2,000+
Customers



Offices in
**US and
UK**

G2: Highest rated
of all financial
Close software



98% of Customers Achieve Target
Business Value or Higher*



UNIVERSITY OF
GEORGIA

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Consumer Analytics Department

- The Consumer Analytics program at UGA combines human-centered design, data science, and data storytelling to derive rich insight into the human condition and to inspire action to improve that condition.
- Camden Cusumano: PhD student; served as the Graduate Research Assistant on this project.
- Dee Warmath, PhD: PhD in Consumer Science; research focuses on well-being and how people make decisions across their life domains to achieve and maintain it.

Poll Question 1:

To what extent are your current compliance or control management processes adding value to your organization?

- a) Adding significant value
- b) Adding value
- c) Adding some value
- d) Adding very little value

Poll Question 1 Results: (Placeholder)

The Study

Data

Location:

- United States: 213
- United Kingdom: 157

Department:

- Accounting & Finance
- Compliance Department*

Percent of survey participants by company type

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Top titles of survey participants



Professional Experience

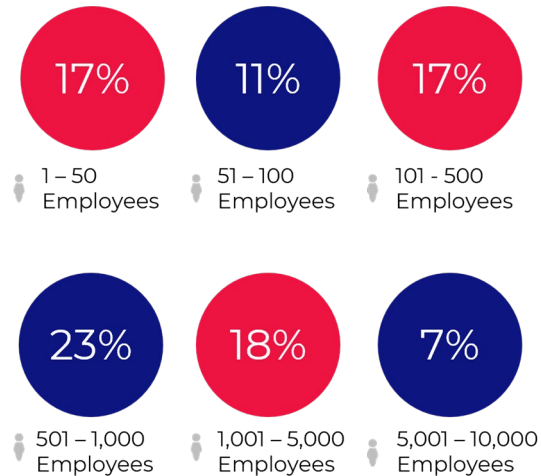


Job Titles

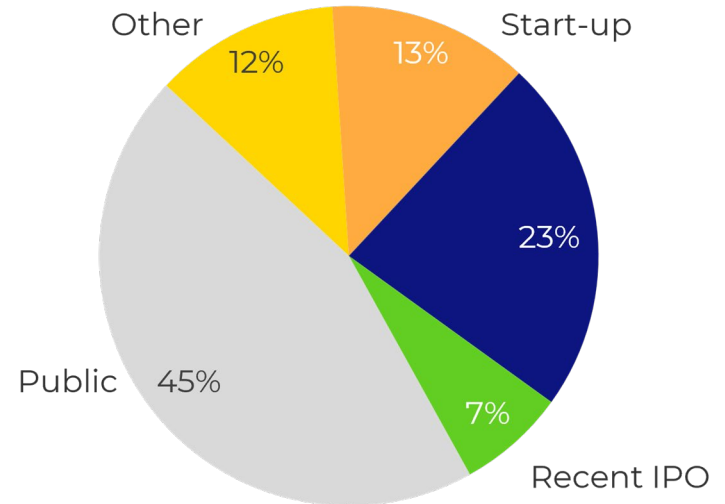
- + CPAs: 74%
- + CMAs: 49%
- + CIAs: 54%

Organization Characteristics Distribution

Total number of employees by company



Distribution of Company Stage



Controls and Compliance Should Go Beyond “Checking the Box”

Primary Key Insight

Compliance can do much more for the organization than awareness and process adherence.

CHECKING THE BOX

Rate your current compliance
and control efforts:

Burden (0) to Benefit (100)



The **average professional** rated
their **current compliance and**
financial control function a **69.9**
out of 100.



CHECKING THE BOX

Driving force & value behind Compliance Programs

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 93%

Regulation

 25/5

Perceived value

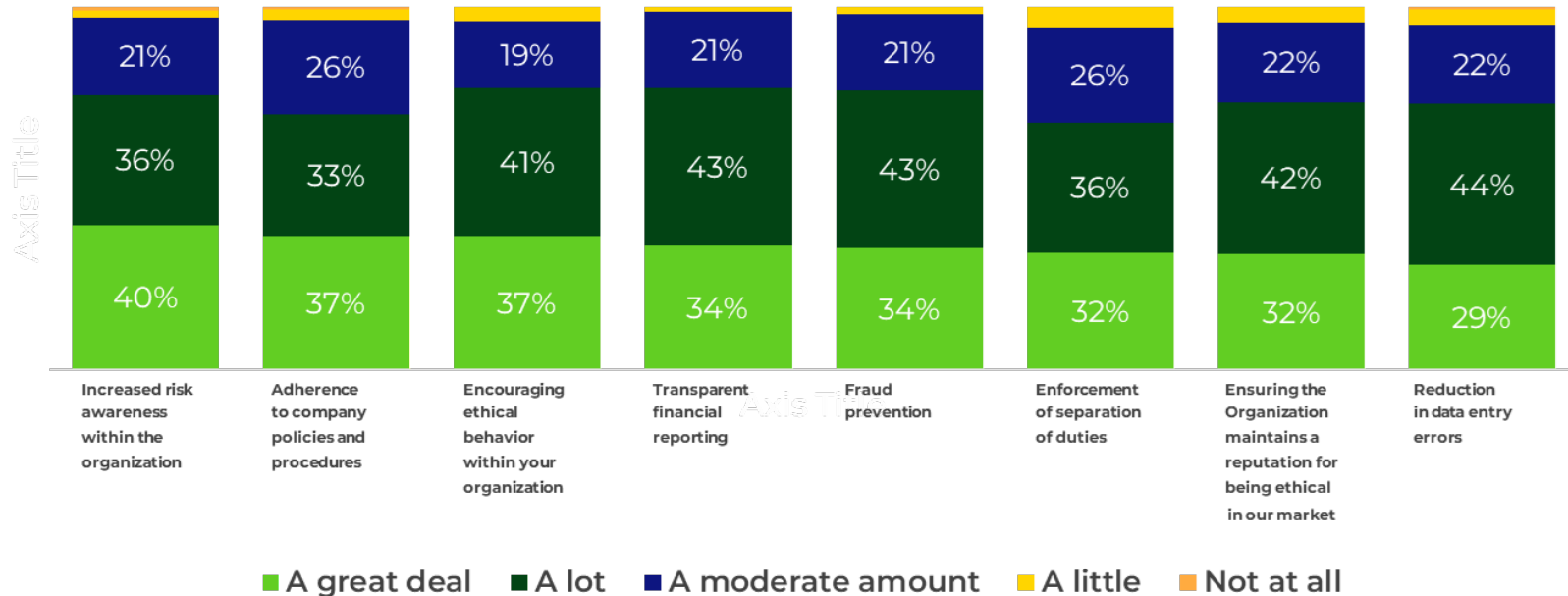
 \$2.4M

Annual spend

CHECKING THE BOX

Perceived Organizational Contribution

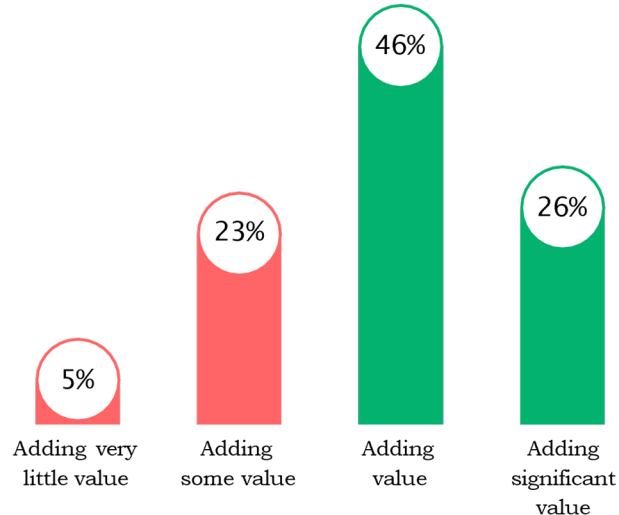
To what extent do your compliance and financial control processes help with each of the following?



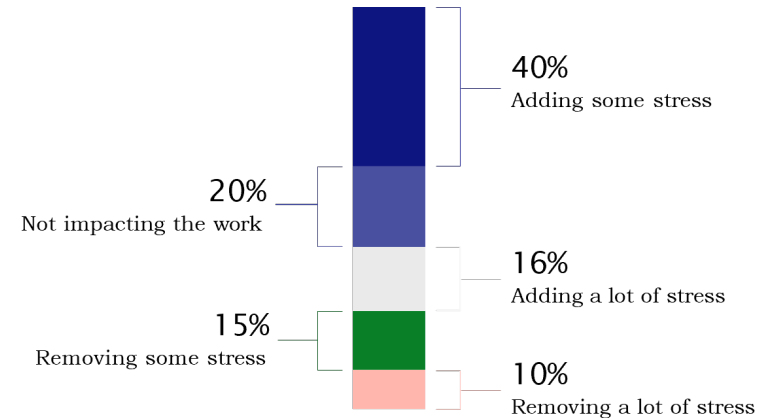
CHECKING THE BOX

Value Balance of Compliance Programs

To what extent are your current compliance or control management processes adding value to your organization?



To what extent are your current compliance or control management processes adding or removing stress from the work?



Poll Question 2:

To what extent are your current compliance or control management processes adding or removing stress from the work?

- a) Removing a lot of stress
- b) Removing some stress
- c) Not impacting work
- d) Adding some stress
- e) Adding a lot of stress

Poll Question 2 Results: (Placeholder)

CHECKING THE BOX

Realizing the opportunity



Significant Expense

\$2.4 million:

The average annual organizational spend on compliance and control processes



Regional Costs

United States: **\$1.6M**

United Kingdom: **\$3.3M**



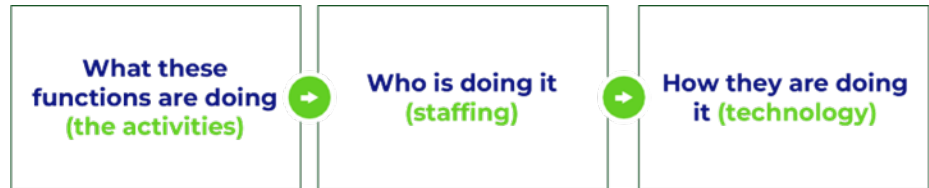
Needed RIO

- Investments value
- Benefit or burden?
- Is awareness enough?
- Value vs. stress

CHECKING THE BOX

The Path Forward?

Three Potential Barriers



The Larger Potential:

Realizing greater value from compliance
and control activity

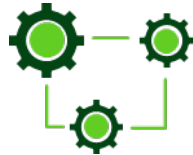
ACTIVITIES:

What is the function doing?

The 'Tactical' Currently
Outweighs the 'Strategic'

Insight #1: Controls and Compliance Emphasis

Current Focus



Execution and
tactics

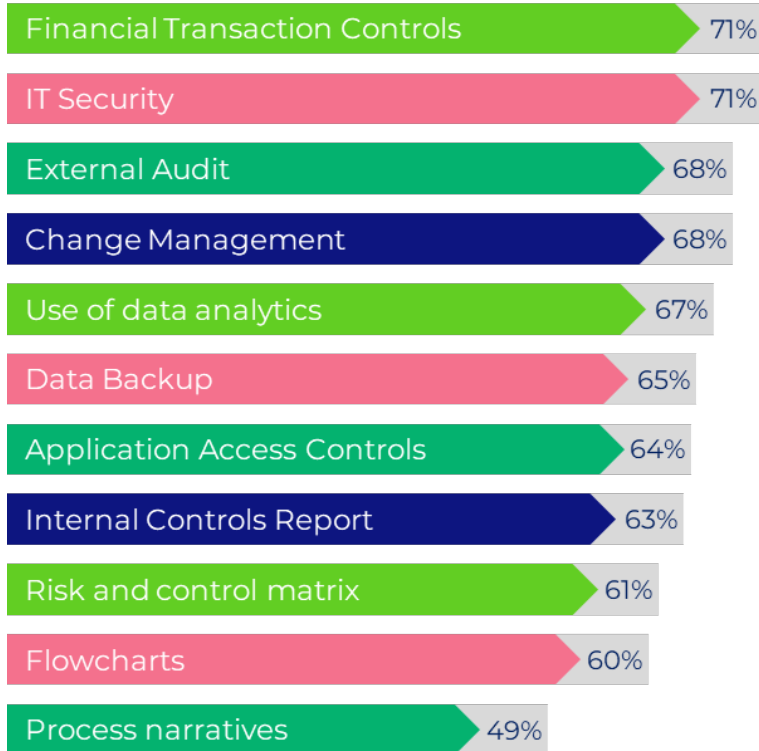
Rather than



Optimization and process
improvement

ACTIVITIES

Compliance is task oriented and not linked to the strategy of the Org



Does your organization do or have any of the following items or activities related to compliance and financial controls?

We expected to hear that organizations were considering ways to improve their controls and compliance programs.

37% of the survey participants reported a current initiative related to compliance or control management as a strategic program.

ACTIVITIES

Summary of Findings

ACTIVITY SUMMARY

The **basic issue** is that organizations do a lot of things without a clear blueprint.

The **larger risk** is that tactical efforts have blind spots that expose the organization to negative outcomes.

The **missed opportunity** is having a strategic plan for compliance and control to direct and prioritize the activities most likely to provide protection and value.

STAFFING:

Who is doing it?

The Apparent Struggle to Build an
Effective Compliance and Controls
Function

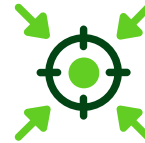
Insight #2: Formation and Management

Current Focus



Expedient

Rather than



Intentional

Systems supported by broken knowledge base



The FloQast Compliance Literacy Assessment

Questions	% Correct
In some countries, data localization is an important aspect of compliance.	83%
A key piece of compliance documentation is the risk and control matrix.	83%
Research has shown that compliance has implications for how successful a company will be in hiring qualified employees.	81%
ICFR ensures that information reported in the financial statements is accurate and does not contain any material misstatement.	81%
Financial compliance is about making sure a company follows the rules.	80%
GDPR ensures that information reported in the financial statements is accurate and does not contain any material misstatement.	60%
What is the system used to establish internal controls that are to be integrated into business processes called?	44%
Which of the following statements best describes the regulations governing compliance?	40%
Not counting the taxes they must file, every company is legally required to submit documentation of compliance and control to a regulatory body.	29%
Materiality applies to which of the following?	25%
Compliance deals with regulations at which of the following levels?	13%
Which of the following pieces of legislation are relevant to compliance?	0%

NOTE: We assessed the difference in results if we dropped the last question that no one answered correctly. The impact on the average score was 0.2 points on a 25-point scale. Based on this analysis, we elected to keep the last question in the sc

**The average compliance literacy score
was only 10.11 out of 25 possible points.**



The Need of Alignment and Purpose

There were few differences in compliance literacy based on the stage of the individual's company.



Second, we found challenges in having these employees understand the larger purpose of their work.

35%

of the survey participants clearly 35% understood how their actions lead to effective controls and a strong control environment in their companies.

The Role of Staffing in Compliance



Percent of compliance and control professionals who believe they are staffed sufficiently in the compliance and control function



STAFFING

Summary of Findings

STAFFING SUMMARY

The **basic issue** is that organizations are likely spending more on headcount than needed when costs per control may already be a major stressor to organizational budgets.

The **larger risk** is that staffing to check the box might expose your organization to unnecessary risk.

The **missed opportunity** is the potential organizational benefit from appropriately staffing a compliance and control function with professionals who understand how to deliver strategic value through their work.

Poll Question 3:

Scale of 1-5 with 5 being highly automated and integrated, how automated and integrated is your compliance environment?

- 1 – Little to no automation AND integration
- 2 – Some automation OR integration
- 3 – Some automation AND integration
- 4 – Highly automated OR integrated
- 5– Highly automated AND integrated

Poll Question 3 Results: (Placeholder)

TECHNOLOGY:

How are they doing it?

Compliance programs struggle with little to no automation and non-intuitive tools

Controls and compliance would clearly benefit from a greater application of technology.



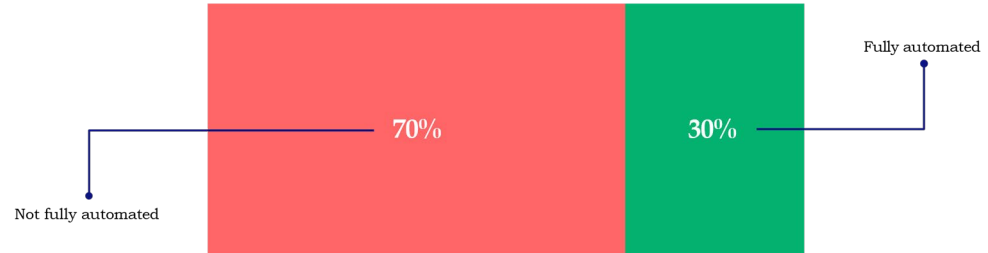
The Limited Role of Technology in Compliance



LACK OF AUTOMATION

Less than one-third of the survey participants felt that their compliance and control processes were automated.

Percent of compliance and control professionals reporting that their processes were fully automated



Why does this matter? Organizations with more automated compliance and control processes saw greater benefit from their efforts.

NON-INTUITIVE TECHNOLOGY

How intuitive are the systems you use?



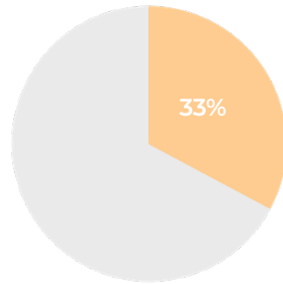
One-third said that the technology they were using was intuitive.



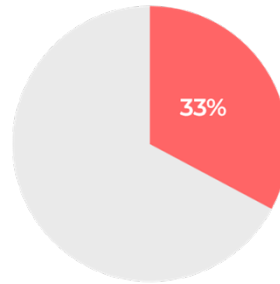
NON-INTUITIVE TECHNOLOGY

Compliance professionals demonstrate an adversarial relationship with their technology

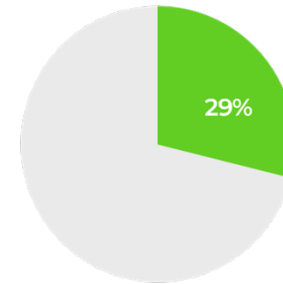
Percent of respondents that agree the following statements describe the technology they currently work with very well.



Makes your life
unnecessarily complicated



Saves
you time



Solves
pain points

TECHNOLOGY

Summary of Findings

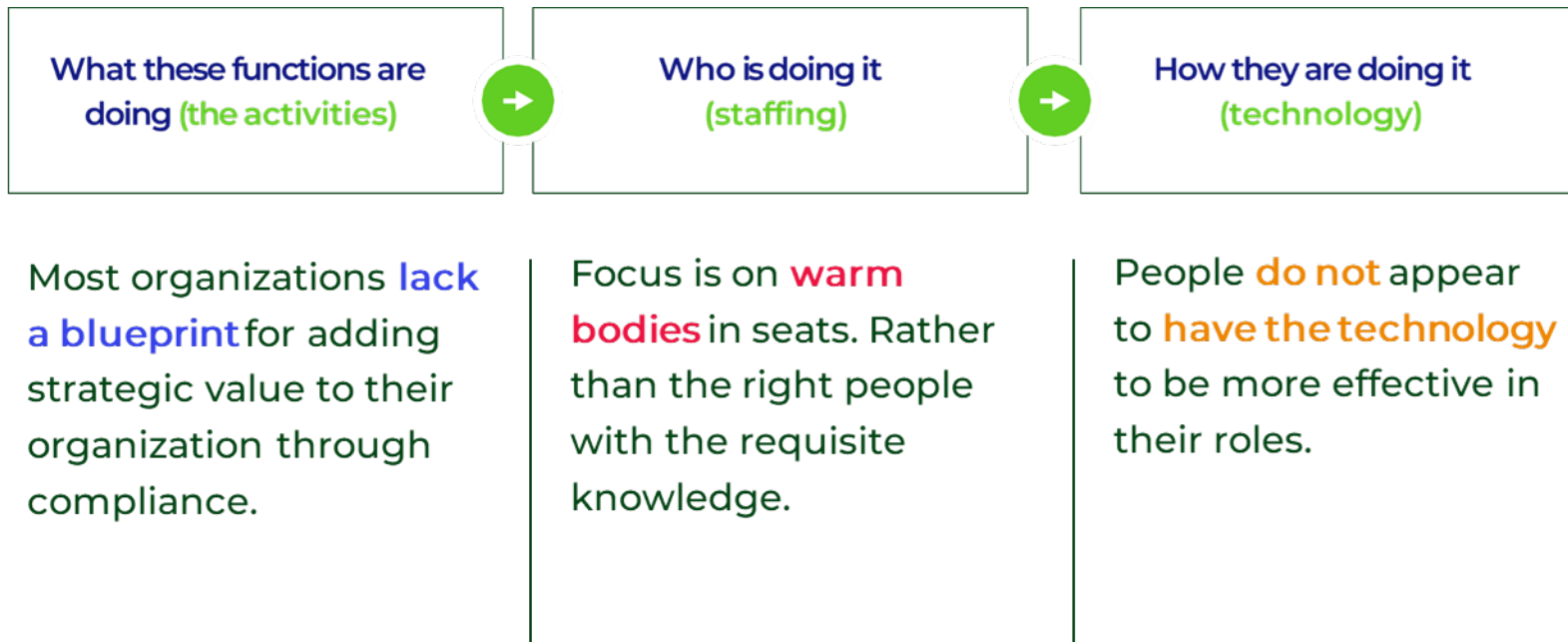
TECHNOLOGY SUMMARY

The **basic issue** is that organizations are not leveraging technology to support their compliance and control function.

The **larger risk** is that the compliance and control function is missing (or losing) important steps in key activities, given the lack of automation and staffing challenges.

The **missed opportunity** is the potential gains in strategic vision for and value from compliance and control that can come from a strong technological foundation for the work.

Observations



Call to action!

Today's compliance programs
are **lacking**.

How can organizations **strive
to improve?**

CONCLUSION

The Path Forward?

If we take the finding in aggregate, the **right investments in technology** today can link compliance programs to organizational strategy **empowering them** to be more than just a “check the box” kind of function — instead, leveraging data and insights **to influence decision making**.

The opportunity is to establish a **synergistic relationship** between the people and the technology for the **benefit** of the compliance and control function as well as the **organization** it supports.

Poll Question 4:

Would you like more information about FloQast?

- a. Yes
- b. Not at this time

Poll Question 4 Results: (Placeholder)

Questions and Answers

Stefan van Duyvendijk
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Thank you!

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