Setting-up 2nd level compliance controls: why&how?

A short guide

Why Second-Level Controls Matter

Primary controls (done by the process owners) lay the groundwork for compliance, but second-level controls (done independently by control function, such as compliance) add an extra layer of protection.

These supplementary measures act as a **safety net**, addressing gaps and vulnerabilities identified by primary controls.

By implementing robust second-level controls, you can enhance your organization's resilience to regulatory challenges and instill confidence in stakeholders.

How to set 2nd level controls?

Here's a guide on how to set second-level controls and what to be careful about:

1. Identify Gaps and Weaknesses:
- Conduct a thorough assessment of existing primary controls to identify any gaps or weaknesses.
- Analyze past incidents or compliance breaches to pinpoint areas where additional controls are needed.

2. Determine Risk Tolerance:
- Assess the level of risk tolerance within your organization to prioritize areas requiring secondary controls.
- Consider the potential impact and likelihood of compliance failures when determining the need for additional measures.

3. Establish Clear Objectives
- Define clear objectives for the second-level controls, specifying the desired outcomes and compliance requirements they aim to address.
- Ensure alignment with regulatory standards, industry best practices, and organizational policies.

4. Select Appropriate Controls:
- Choose controls that are tailored to mitigate specific risks identified in the compliance assessment.
- Consider a combination of preventive, detective, and corrective controls to address different types of risks.

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5. Implement Monitoring Mechanisms:

Establish robust monitoring mechanisms to track the effectiveness of second-level controls continuously.
Define key performance indicators (KPIs) or metrics to measure compliance performance and identify deviations promptly.

6. Ensure Adequate Resources:

Allocate sufficient resources, including budget, staff, and technology, to support the implementation and maintenance of second-level controls. Provide adequate training and support to employees responsible for executing these controls.

7. Foster a Culture of Compliance:

Promote a culture of compliance throughout the organization, emphasizing the importance of adhering to policies and procedures. Encourage open communication and transparency to facilitate reporting of potential compliance issues or concerns.

8. Regular Review and Evaluation:

Conduct regular reviews and evaluations of second-level controls to assess their effectiveness and identify opportunities for improvement. Adjust controls as necessary based on changes in regulatory requirements, business operations, or risk landscape.

What to Be Careful About?

Overreliance on Technology: While technology can enhance controls, avoid relying solely on automated solutions without considering human judgment and oversight.

Complexity: Ensure that second-level controls are not overly complex or burdensome, as this may impede compliance efforts and hinder employee buy-in.

Lack of Integration: Ensure that second-level controls are integrated seamlessly into existing processes and workflows to avoid duplication or gaps in coverage.

Complacency: Guard against complacency by regularly challenging assumptions and testing the effectiveness of controls, even in areas deemed low risk.

Regulatory Changes: Stay vigilant about changes in regulatory requirements that may necessitate adjustments to second-level controls to remain compliant.

Also, **ensure controls fit your size and business model!** By following these guidelines and being mindful of potential pitfalls, organizations can effectively set and maintain second-level controls to strengthen their compliance posture and mitigate risks.