



White Paper

Governance, Risk and Compliance

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The evolution of corporate governance

In the aftermath of adverse stock market conditions and corporate scandals of the 2000s, there has been an increased focus on how organizations are run. In the early part of the decade, it was irresponsible business behaviour that showed the need for better governance control. Towards the end of the decade, the poor understanding of risk led to disastrous economic consequences and an awareness of the importance of risk management. Faced with the task of rebuilding stakeholder confidence, many countries instituted regulations to formalize responsibility and accountability in business management and operations. This brought the function of governance, risk and compliance – GRC – into the open as an important item on the corporate agenda.

What is GRC?

A system of people, processes and technology that enables an organization to:

- Understand and prioritize all stakeholders' expectations;
- Set business objectives that align with values and risks;
- Achieve objectives while optimizing the risk profile, and protecting value;
- Operate within legal, contractual, internal, social and ethic boundaries;
- Provide relevant, reliable and timely information to appropriate stakeholders;
- Enable the measurement of the performance and effective of the system.

Open Compliance & Ethics Group – <http://www.oceg.org/>

New GRC codes around the world have tended to move away from purely financial issues, and have embraced the view that value creation is driven not only by financial assets, but by other capital assets such as human, natural, social, manufacturing and technical resources. Accordingly, the codes are designed to consider not only the traditional shareholders, but all relevant stakeholders, including customers, suppliers and the wider community impacted by business activities. A number of common aspects in global GRC practice are emerging:

- Strategy, risk, performance and sustainability cannot be separated;
- Risk is an issue involved in all aspects of conducting business;
- The old-style of financially-oriented corporate reporting is not enough for informed assessment.



Why G + R + C?

Governance must be combined with risk management and compliance because together they provide the foundation, control and direction for the way an organization operates and develops. Combining the functions of governance, risk management and compliance enables key aspects of enterprise management, control and reporting to be integrated into one function. It also allows organizations to envisage the possibility of going from reactive mode for risk and compliance management, to a state where GRC data is used to pro-actively manage and monitor the business.

In the past, GRC was predominantly document-oriented and run as separate, disconnected applications within the organization – often spreadsheet-based. The problem with such a fragmented approach is that it does not increase visibility or reduce risk. GRC activities implemented within divisional silos, using manual or differing technologies, add unnecessary costs and overhead to the business. Isolated GRC approaches often result in excessive spending on internal management and external auditors. Today, organizations should plan for how GRC will broaden into different areas and aspects of the business, how to define their GRC requirements, and the implications that these have for the organization.

New role of GRC		
	Definition	Implications for business
Governance	The culture, structure and process by which policies and objectives are set and business is aligned with them.	Governance should include: <ul style="list-style-type: none">■ Enterprise performance■ Integrated reporting (triple bottom line)■ Reliable and timely information
Risk management	The processes and structures for identifying, managing, communicating and mitigating risk exposure.	Consider risk issues in all business plans, processes and transactions; risk-based auditing
Compliance	The process and controls for adhering to laws, policies regulations and standards.	Assure compliance through: <ul style="list-style-type: none">■ Automating workflow■ Managing business processes and sustainability reporting

Gartner – Magic Quadrant for Enterprise Governance, Risk and Compliance Platforms
Open Compliance and Ethics Group – GRC Capability Model Red Book 2.0

GRC is an approach to running a business that encourages collaboration and sharing of information, goals, metrics, potential risks and obligations. Furthermore, GRC is not just an issue for the executive board alone, rather it should encompass how objectives, expectations and responsibilities filter through all levels and divisions of the organization.



GRC as an overall framework

An effective GRC platform provides a framework that integrates organizational processes and tools, supporting those processes for the purpose of defining, maintaining and monitoring GRC, and providing a complete system of record.

Elements of a complete GRC system	
Context and Culture <ul style="list-style-type: none">External and internal context; culture; values and objectives	Organize and Oversee <ul style="list-style-type: none">Outcomes; roles and responsibilities; approach and accountability
Assess and Align <ul style="list-style-type: none">Identify and analyse risk; optimize risk	Prevent and Promote <ul style="list-style-type: none">Code of conduct; policies; controls; awareness and education; incentives
Detect and Discern <ul style="list-style-type: none">Notification; enquiry; detection systems	Inform and Integrate <ul style="list-style-type: none">Information management and documentation; communication; technology
Respond and Resolve <ul style="list-style-type: none">Internal review; investigations; corrective controls; crisis management; remedies and discipline	Monitor and Measure <ul style="list-style-type: none">Monitoring and evaluation; improvement and assurance
Open Compliance and Ethics Group – GRC Capability Model Red Book 2.0	

Although GRC should not be the responsibility and role of only one part of an organization, the GRC chain must be initiated at board level, where objectives, strategies, targets and risks are identified. These are transferred to the management level, at which plans, processes, metrics and KRIs (key risk indicators) are established. Translated to the next level, this regulates the allocation of people and resources, which are assigned KPIs (key performance indicators). The results from this chain of activities are reported back up the chain via the organization's information flow. The value of information is therefore critical in GRC as the levels of the organization cannot perform their roles properly if the quality and timeliness of information is poor.

Enabling the GRC chain is a function which defines and manages workflow and business processes to ensure they align with business requirements; this is analogous to making sure the route to follow is mapped out. The performance and compliance management functions monitor how the organization is achieving objectives, is on track with plans, and is following company guidelines; i.e. making sure everyone keeps to the route, and their rate of progress along the route. Behind all of this is the role-centric administration which ensures people have access to the processes, tools and information they require for their job.

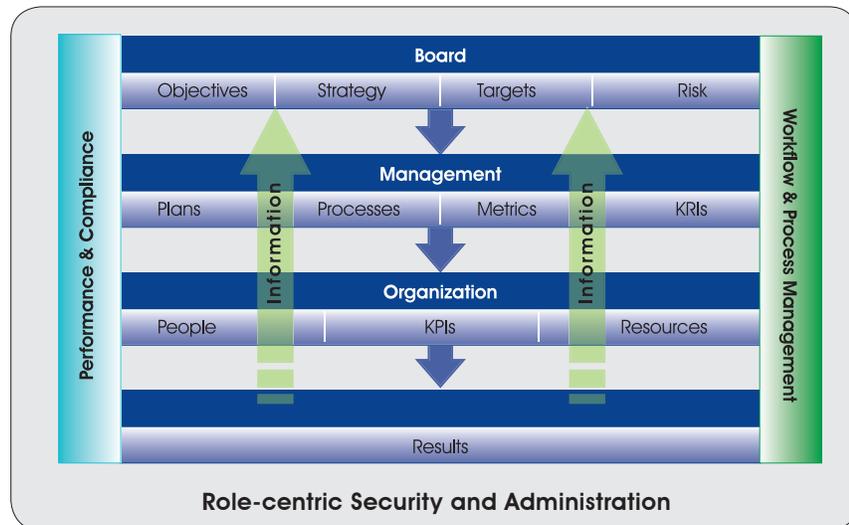


Figure 1 Operational framework for GRC

Integrated GRC

A GRC framework needs to be:

- unifying: ensuring strategy and execution are not separated;
- process-centric rather than document-centric;
- integrated: to eliminate fragmented reporting and silos of risk and compliance;
- role-oriented: for effective compliance and risk management.

Currently, organizations tend to take a check-list view of GRC with a perspective limited to internal audit, risk structures, committees and isolated risk assessment. For an approach that recognizes GRC as a combination of people, processes and technologies, companies should consider how an enterprise system, that integrates the various aspects of the business, could be deployed to provide support for GRC initiatives.

Integrating governance and process

New GRC codes are requiring the assurance that operations align and comply with business controls and strategy. Companies cannot hope to achieve this by running their operational and financial activities using stand-alone applications. It necessitates an integrated enterprise system that executes and manages transactions, together with the capability to manage the design and deployment of business processes, as well as the administration used to execute those processes.

An integrated system must be able to define and manage the processes so that governance and compliance targets can be identified and monitored. During the design of the system, processes should be documented with their controls. For risk management, process steps which have a risk threshold need to be identified, so that the status can be updated as the process occurs. GRC reviews need to include a process review to ensure that strategic priorities and controls remain aligned, and performance targets can be assessed. Enterprise systems that provide workflow management capability can improve and streamline end-to-end business processes, within core systems and to external parties. Workflow can be applied to high risk processes to ensure control. Deployed workflows can be easily monitored for progress, bottlenecks and exception events to ensure they are servicing the GRC strategy.



SYSPRO Process Modeling

SYSPRO Process Modeling (SPM) provides pre-configured process models, based on industry best practice. Business requirements are modelled around the functions of the business to develop a Business Architecture, from which a Process-Driven solution is developed. The models are in a graphical format that both business people and system implementers can understand; business can adopt and change the models, and system people can use them to build the solution.

The model steps are fully integrated with the SYSPRO ERP application, so that changes can be quickly and easily configured in SYSPRO. SPM provides 'what-if' functionality for assessing the impact of changing business processes or migrating to a newer version of the software.

When SYSPRO cannot be configured to exactly meet the business requirements, it is possible to use the models to make changes in the process to compensate for potential gaps and identify manual processes or customization requirements. SPM makes it possible to understand and deal with these gaps, and their impacts, much earlier than in the traditional implementation lifecycle.

SPM provides a model-driven architecture that supports management by aligning IT with company strategy and business objectives. The primary source of information is no longer word documents that have no relationship to one another, but interrelated models. This can improve GRC by:

- Giving a clear understanding and transparency of operations, processes and systems across the organization;
- Standardizing and recording processes as they evolve;
- Providing a central repository for all changes, whether at business, process, or system level, that can be used for auditing and compliance validation.

SYSPRO Workflow Services

SYSPRO Workflow Services (SWS) provides users with an easier way to orchestrate or describe complex processing of data in a visual form. SWS increases business process visibility, system integration, real-time visual monitoring and the capability to improve processes rapidly. It empowers employee decision making capabilities without sacrificing control, whilst ensuring segregation of duties amongst role players. It also enforces compliance to rules, policies, procedures and legislation.

Improved risk and compliance control is provided through:

- functionality that allows for preventative pro-active controls;
- real-time monitoring of processes to identify concerns, bottlenecks;
- a full audit trail to enforce controls;
- escalation functionality that ensures tasks and or processes are attended to timeously and efficiently;
- security managed at a very granular level using role-based security.



Managing risk and compliance

GRC regulations are placing greater emphasis on corporate risk oversight and management. Management needs to have transparency and visibility into all transactions in order to ensure that strategies, objectives and policies are being followed. Control and monitoring of risk can be achieved more efficiently in an integrated enterprise system, where transactions can be monitored in real-time, rather than extracting the data to another system for testing. A GRC system that integrates with transactional processing can:

- verify whether transactions comply with internal controls;
- test against governance policies and procedures;
- monitor transaction elements such as values and volumes for risk exposure;
- improve visibility through tracking a wide variety of performance indicators, exception events and alerts.

Integrated enterprise systems can also assist in developing GRC capability by managing user roles and access. When an organization has implemented appropriate operational controls via user roles, it is possible to monitor and improve these controls to reduce the risk of misuse or abuse of company resources and information. This becomes even more effective where process-orientation and role-based controls are implemented. This provides not only levels of security and access for risk and compliance management, but also enables governance oversight of process activities and personnel performing them. Another level of security – electronic signatures – can be used to provide granular authentication and tracking of who is doing what and when, including exception reporting.

SYSPRO Dashboards

SYSPRO Dashboards is an analysis tool that presents a visual presentation of the real-time data in the SYSPRO ERP solution which can be set up without incurring the large investment typically associated with other business intelligence solutions. The software provides a number of predefined dashboards that allow users an immediate view on their business activities.

SYSPRO role-based security

Software that has role-based functionality allows people to concentrate on the specific jobs they do, providing not only productivity benefits but also enabling greater security and access control. SYSPRO's role-based security allows enterprises to implement compliance policies by centrally defining the roles of the organization, and configuring the program access permissible for each role, as well as the data the role is allowed to access down to the field level.

SYSPRO e-Signatures

Electronic Signatures provides centralized control over who is allowed to process which transactions and ensures the integrity of operations. Security access, transaction logging and event triggering can be managed, against a list of business processes and on a transaction-by-transaction basis.

Continuous controls monitoring is made possible through automated notification when significant events occur. An audit trail of completed transactions indicates who performed a transaction and when it occurred.



Integrity in reporting

While management and control are necessary for GRC, an important aspect is reporting. Reporting provides the transparency and visibility that an effective GRC system requires. New financial regulations prescribe that companies ensure the integrity of financial reporting and demonstrate auditable and appropriate measures and controls. At board level, this requires guarantees that the financial reports represent a truthful and factual presentation of the company's financial position. At a practical level it involves the capability to provide timely and accurate disclosure and promote stakeholder confidence in the integrity of enterprise information.

A new attitude towards corporate governance, which has significant support, is that value creation should be seen in both economic and social terms. This is changing the nature of reporting in that strategy, risk, performance and sustainability can now be considered as inseparable. Consequently, company reporting has to become more inclusive, adopting the so-called triple bottom line of economic, social and environmental performance. Reporting standards proposed by bodies such as the Global Reporting Initiative provide the guidelines for this different approach to financial reporting.

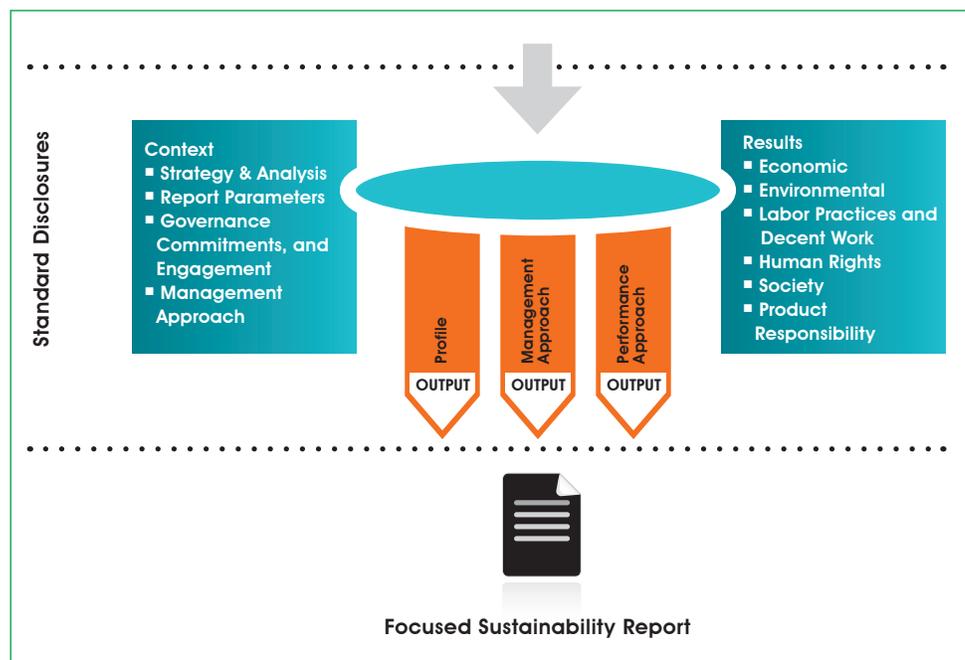


Figure 2 Standard Disclosures - Global Reporting Initiative reporting guidelines

An integrated enterprise system can assist in providing a single auditable version of the financial truth by:

- facilitating the extraction of repeatable, publishable financial reports;
- showing how balance sheet items are tied to and generated from individual transactions;
- tracking to the originating source transactions and thereby reducing the risks associated with human intervention.



While a GRC solution must be able to guarantee full disclosure and the reliability of financial reporting, an integrated GRC solution can relate data from various operations of the business to report on how the company is performing, not only against purely financial or operational objectives, but also against sustainability objectives. An enterprise system caters for the seamless integration and incorporation of sustainability data in financial reports.

SYSPRO Real-time General Ledger

SYSPRO provides functionality for sub-ledger transactions to update the general ledger automatically. This eliminates the time lag between transacting and reporting, and allows management to monitor and manage the financial position of the company in real-time.

Summary

Statistical accounts allow non-financial information within the general ledger for recording sustainability data.

The implementation of an effective GRC capability means that risk and accountability can be managed, alignment of strategy with objectives and business processes can be achieved, and violations can be identified and mitigated speedily.

Expected Outcomes of a GRC solution

Achieve Business Objective
Enhance Organizational Culture
Increase Stakeholder Confidence
Prepare & Protect Organization
Prevent, Detect & Reduce Adversity
Motivate & Inspire Desired Conduct
Improve Responsiveness & Efficiency
Optimize Economic & Social Value

Open Compliance and Ethics Group – GRC Capability Model Red Book 2.0

An enterprise system provides an efficient framework to enable the integration of objectives, risks, controls, processes and transactions. It assists an organization in addressing the practical issues of implementing and controlling GRC initiatives, and in so doing, greatly reduces the cost of compliance and the associated administrative burden.

A solution that provides GRC functionality should include:

- integration with business processes and transactions in order to align strategy and operations,
- data to provide truthful and factual presentation of the company's status,
- continuous monitoring and reporting by exception,
- roles to ensure relevance of information and processes.

This will enable the organization to have:

1. mission, strategies and objectives aligned;
2. risks and processes appropriately addressed through visibility into operations;
3. the right approach for sustainable development,
4. a commitment for transparent reporting.



About SYSPRO

SYSPRO is an internationally-recognized, leading provider of enterprise business solutions. Formed in 1978, SYSPRO was one of the first software vendors to develop an Enterprise Resource Planning (ERP) solution. Today, SYSPRO is a global business solution vendor, represented on six continents and by more than 1500 Channel and support partners. Over 14,500 licensed companies across a broad spectrum of industries in more than 60 countries trust SYSPRO as the platform on which to manage their business processes.

Customer focus is the core of SYSPRO's corporate culture and is one of the key reasons why SYSPRO maintains a strong leadership position in the enterprise application market. By focusing on people and building lasting relationships with customer and partners, SYSPRO has ensured high customer retention and satisfaction.

SYSPRO has won awards and earned the reputation for well-structured, effective implementations in all sizes of companies, specializing in demanding environments, across a multitude of Verticals. We have developed a structured approach to reduce the time and cost of implementing SYSPRO that has been the result of over 30 years of experience enabling organizations to personalize and utilize the software successfully and effectively.

We work in partnership with our customers to identify feasible and affordable solutions to transform their business. Team SYSPRO integrates internal and external experts, from the international SYSPRO community, to ensure that our customers are exposed to the best possible resources through all phases of the ERP project: strategic, functional and operational. This consolidated approach ensures that our customers receive holistic and autonomous analysis throughout the project, and optimizes operational efficiencies.

Our single product DNA also means that all SYSPRO upgrades are seamless. With the range of functionality and depth of features built into the product and accessible via a single SYSPRO portal, companies need never go outside of SYSPRO to gain increased operational effectiveness.

The aim is to deliver world-class software that gives customers the control, insight and agility they need for a competitive advantage in a global economy. As such, SYSPRO provides a unique combination of robust, scalable technologies that ensure minimal risk and high return on investment.

Our vision is focused on meeting customer needs today and in the future - SYSPRO, simplifying your success with the most integrated, uncomplicated and effortless business software solution for small and medium enterprises.



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