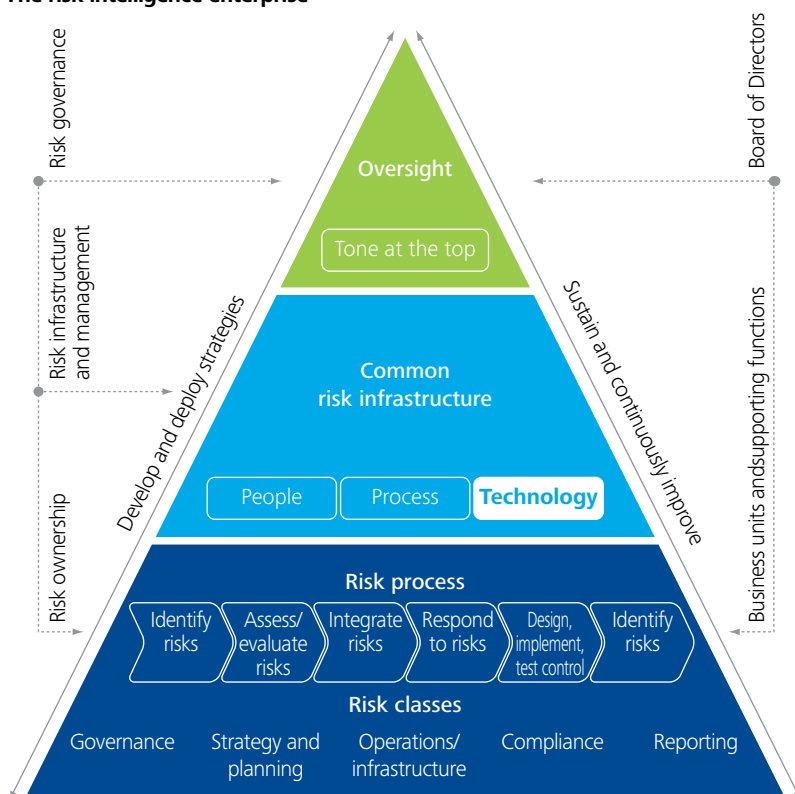




Enterprise Governance
Risk and Compliance
How to build a
sustainable process

As volatile and unsettling periods continue to affect the business environment, companies pay a lot more attention to the effectiveness of their Enterprise Governance Risk and Compliance (EGRC) practices. This often includes overhauling governance structures, re-examining processes, and making people more accountable.

The risk intelligence enterprise



- Risk **governance**, including strategic decision-making and risk oversight, led by the board of directors
- Risk **infrastructure and management**, including designing, implementing, and maintaining an effective risk management program, led by executive management
- Risk **ownership**, including identifying, measuring, monitoring, and reporting on specific risks, led by the business units and functions.

Figure 1: The risk intelligence enterprise

But once EGRC strategies have been refreshed and put in motion, how will they be sustained? More and more organisations realise that the enablement of EGRC processes through technology is a key to bringing these strategies to life. This article explores the benefits and pitfalls of the enablement of EGRC processes through technology solutions; a fundamental building block for effective and efficient EGRC practices and becoming “Risk Intelligent”.

When it comes to EGRC, there is no substitute for good strategy. Deloitte’s view is that organisations that are most effective and efficient in managing risks to both existing assets and to future growth will, in the long run, outperform those that are less proficient. We call these organisations Risk Intelligent Enterprises.

In a risk intelligent enterprise, risk governance, infrastructure and ownership need to go hand in hand to respond to current drivers for EGRC. Increased demands from boards and executive management, growing regulatory requirements and the challenges of hyper-connected business models drive an overhaul of EGRC strategies.

But in the end, technology is the catalyst for bringing risk management strategies to life.

Traditional approaches to tools and systems to support EGRC processes have been characterised by solutions that provided limited ability to see beyond business silos. Such a siloed approach makes it difficult for boards and executive management to obtain an aggregated view of key risk and compliance issues that is based on a common EGRC process. Furthermore, establishing accountability for EGRC is difficult to achieve if information is not transparent or cannot be easily understood and put into action by front line staff.

Leaving aside consideration of highly specialised tools for analysing specific risks (such as those used by the banking and insurance industries), the main role of EGRC system solutions is to deliver the right type and amount of information to the right people in a timely manner, distilled in a way that can help them understand the risk associated with particular decisions. In particular, technology can assist by:

- Delivering a high-quality, reliable continuum of information from dispersed operations
- Integrating operational, transactional and financial information to help in proactively identifying and resolving risk-related issues
- Predicting, preventing, detecting, managing and reporting both internal and external risks that may otherwise stealthily or overtly threaten an organisation's ability to fulfil its business objectives
- Creating consistency and transparency of real-time information across the enterprise.

However, the road to selecting, implementing, deploying and sustaining an EGRC system comes with its challenges and requires careful navigation. The following are some pitfalls to watch out for.

Stakeholder management

As EGRC permeates an organisation, many stakeholders will be affected as EGRC technology is implemented. In many cases, views of the best way to perform risk and compliance activities may vary widely, and the focus on a holistic and enterprise-wide solution may get lost in translation. This requires strong leadership and willingness to engage with multiple stakeholders. Companies that focus insufficiently on stakeholder management may end up with little buy-in and uptake when the solution gets rolled out over the different and diverse parts of the organisation.

Automating poorly designed processes

Current technology platforms are highly configurable and can be tailored to specific organisational needs. Such flexibility provides an opportunity to let the business lead the deployment rather than refitting business processes to the "out of the box" processes. All too often, we see organisations move straight to the deployment of the "out of the box" processes without a clear understanding how risk and compliance processes best operate within the specific circumstances of their organisation. This rarely leads to an optimal outcome and often requires more costly redesign down the track.

Failure to reap the benefit from EGRC technology capability

A key benefit of EGRC platforms is to support a "test controls once, satisfy many risks" approach to reduce duplication and avoid compliance "fatigue". This requires careful planning to determine a consistent risk language, a well understood and accountable risk framework and harmonised control design, before a technology solution should be considered. Companies should focus on this harmonisation.

Slow decision-making putting pressure on project timelines and budgets

As companies finalise the initial stages of analysing functional requirements and actually get to see how components of the system can work, they often come to the realisation that their initial process design can either be enhanced or will need to change. This is often the result of the flexibility of the platform generating new ways of dealing with risk and compliance challenges or the realisation that the initial design will be ineffective to deploy. As the thinking evolves during the deployment phase, sufficient and timely access to the project leadership team is required to make the decisions that avoid scope creep, cost blow outs and missed project timelines.

Don't underestimate the effort required to embed the solution

A well-implemented EGRC platform provides a range of new capabilities to analyse, report and tackle identified risks. In most cases, risk patterns that were previously unknown to the organisation are now uncovered. This requires a welcome shift from collating risk data to a focus on analysing risk information and producing meaningful reports to the board. In order to tap into these capabilities, practices across the lines of defence should be refreshed and roles and responsibilities will need to change. Well-implemented EGRC systems deployments spend significant focus on embedding the level of change into the organisation to avoid reverting back to legacy practices on a new platform.

In conclusion, contemporary EGRC platforms provide significant benefits in enabling governance, risk and compliance processes; in fact, it is hard to see how current drivers from boards, executive management and regulators can be achieved in a sustainable manner without a holistic, system-based capability that is embedded in the organisation. The road to success surely comes with a number of obstacles that require careful navigation.

Contact us



Peter Matruglio

Partner Deloitte Financial Services
Finance and Risk Management

Tel: +61 2 9322 5756

email: pmatruglio@deloitte.com.au



Rody Posthuma

Partner
Risk Services

Tel: +61 2 9322 7727

email: rposthuma@deloitte.com.au



George Stathos

Partner
Risk Services

Tel: +61 3 9671 6853

email: gstathos@deloitte.com.au



Fraser Ross

Lead Partner
Financial Services Consulting

Tel: +61 2 9322 7445

email: fross@deloitte.com.au

Sydney office

225 George Street
Sydney, New South Wales
Australia

Tel: +61 2 9322 7000

Fax: +61 2 9322 7001

Melbourne office

550 Bourke Street
Melbourne, Victoria
Australia

Tel: +61 3 9671 7000

Fax: +61 3 9671 7001

www.deloitte.com/au/regulatoryreview

This publication contains general information only, and none of Deloitte Touche Tohmatsu Limited, its member firms, or their related entities (collectively the "Deloitte Network") is, by means of this publication, rendering professional advice or services.

Before making any decision or taking any action that may affect your finances or your business, you should consult a qualified professional adviser. No entity in the Deloitte Network shall be responsible for any loss whatsoever sustained by any person who relies on this publication.

About Deloitte

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee, and its network of member firms, each of which is a legally separate and independent entity. Please see www.deloitte.com/au/about for a detailed description of the legal structure of Deloitte Touche Tohmatsu Limited and its member firms.

Deloitte provides audit, tax, consulting, and financial advisory services to public and private clients spanning multiple industries. With a globally connected network of member firms in more than 150 countries, Deloitte brings world-class capabilities and deep local expertise to help clients succeed wherever they operate. Deloitte's approximately 170,000 professionals are committed to becoming the standard of excellence.

About Deloitte Australia

In Australia, the member firm is the Australian partnership of Deloitte Touche Tohmatsu. As one of Australia's leading professional services firms, Deloitte Touche Tohmatsu and its affiliates provide audit, tax, consulting, and financial advisory services through approximately 5,660 people across the country. Focused on the creation of value and growth, and known as an employer of choice for innovative human resources programs, we are dedicated to helping our clients and our people excel. For more information, please visit Deloitte's web site at www.deloitte.com.au.

Liability limited by a scheme approved under Professional Standards Legislation.

Member of Deloitte Touche Tohmatsu Limited

© 2011 Deloitte Touche Tohmatsu.

MCBD_PER_11/11_046107