

3rd Copenhagen Compliance Conference

Af Kersi Porbunderwalla, Controllers

■ The Report from the 3rd Copenhagen Compliance® Conference took place November 24. The Conference Chairman where Mikael Frederiksen, Director of Finance, Microsoft Denmark. Partner Jens Røder, PriceWaterhouseCoopers opened the Conference. The EuroSox Institute was the organiser.

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The Copenhagen Compliance® Conference is now emerging as a European GRC Conference 'Brand'. The organizers were pleased to note that there were participants from the rest of Scandinavia, and covering Europe with Iceland to the north and Spain to the south.

The focus of the conference was once again to re-establish the vital position Regulatory Compliance plays in the field of Governance, Risk and Compliance (GRC) industry. The conference highlighted contemporary failures by GRC managers to illustrate weaknesses in theories, structures, and implementation. The powerful speaker lineup contributed to refreshed GRC perspectives and insights. It was a success in information sharing and methodological sharing across borders and industries.

Major topics

There were a total of 14 presentations, covering a wide variety of GRC issues and subjects – boardroom diversity and accountability, a case on financial compliance, risk management, risk matrices, strategic risks in investment strategies, European and global approaches to regulation, costs of not complying, compliance activity outsourcing, corporate governance and SOA, Business Continuity Management, accumulation and storage, and litigation trends.

Compliance, the Optimistic Solution to Risk Management

"Necessity is the mother of invention," says a Russian proverb, and every speaker at the 24 November 2008 Copenhagen Compliance Conference drove home the absolute need for corporations to change the way they manage risk.

When today's university academics, government legislators, corporate leaders and financial regulators all failed to foresee and/or prevent the current crisis, "We should all be fired," admitted Professor Steen Thomsen from the Copenhagen Business School in his presentation. When all existing models have failed to compute the complexity of an irrational marketplace, and when not only pessimists but almost everyone thinks that we have not yet seen the end of the domino effect, where can anyone place their confidence or find hope?



Integrated IT solutions

Optimism is the belief that the good in this world outweighs the bad, and the day's presenters certainly had faith in their successful companies' solutions. Eloquent spokesmen and one woman made persuasive claims for integrated IT solutions, auditing controls, generic models of risk management, a model bank, quantifying business risks and even recovery strategies based on business continuity management. Key Note Speakers made ample effort to convince the audiences, that GRC themes if properly implemented can create great values for the companies and provide stakeholder comfort. The main factor common to all these presenters was the theme of this conference, compliance, both with current and expected new regulations. And it is compliance that is the light at the end of the tunnel on the other side of the recession train heading towards us. This is the positive message of this conference.

Compliance means that future governance regulations will place financial and legal responsibility on the corporate board members who make decisions about risk. It is surely hopeful news if morality can be legislated to this degree.

The road from golden handshake immunity to transparent accountability is apparently going to be forcibly paved by legislation of worldwide proportions. Corporations will need to get going and allocate resources in a short time frame. Optimists view setbacks as temporary, and Kersi Porbunderwalla in his EuroSox case presentation, demonstrated graphically that the initial cost bump of complying with difficult new regulations smoothes out over time. This is encouraging information, especially when compared to the cost of non-compliance. A couple of other speakers like Mr. Jan Nygaard of Netcompany presented graphs and slides from Gartner to document other aspects of the same subject.



The science of compliance

The rose colored glasses and delusions of invincibility which preceded both the most recent IT bubble burst and the current equity meltdown will need to be replaced by a visibility and accuracy that has never existed. This should restore investor confidence and consumer spending, both measureable sources of hope.

Business leaders with greater collateral requirements than ever before will need to understand extremely complicated record keeping and reporting regulations. Compliance also means that CEOs and their Boards will become increasingly dependent upon those people who see how the details of compliance fit into the larger business picture and can communicate this intelligibly.

Does the future of commercial enterprise belong to empire builders or technical consultants? Will an IT/accountancy degree become more precious than an MBA? It seems to me there is some very positive news for the CFOs and financial experts who were a significant majority at this conference. They are positioned very well to master the science of compliance and thereby increase their market value.

GRC is here to stay

For many years Governance, Risk and Compliance (GRC) have been viewed with some skepticism, an area that has been related to cost and a nuisance with continuous demands from regulatory authorities. But understanding and using the area actively can change GRC into a significantly business advantage.

The code of conduct for good business management that has developed through the recent years has showed a growing interest in the interaction between Governance, Risk and Compliance. Regulators such as the EU has also been following these trends and through the EuroSox directives been given influence on the daily activities of the business community.

Although many see these restrictions and demands for documentation, as a further escalation of the regulatory demands there are also opportunities to create added value. Used as a strategic tool it is a new way of understanding business and is turning some of the established norms of GRC into a sustainable competitive advantage. From being described as "An inconvenient truth" of the financial world, GRC is being viewed as a way to add value through sustained and significant risk reduction.

Corporate Governance and Service Oriented Architecture

Technological innovations and international collaboration drives today's business environment to adapt

to these changes at a high pace. Hence, for entire industries, their prevailing business models and their players compete on flexibility and speed to implement these strategic changes from business objectives down to the process level. Today's organisations are in a constant mode of adaption and reengineering. One fundamental concept that provides the system architecture required to make organisations, and not just their IT-department, sufficiently agile to be able to adapt their business processes to the ever changing market conditions is a Service-Oriented Architecture (SOA). However, introducing a SOA gives rise to new challenges in terms of security policies, segregation of duties, and information lifecycle management. In a mature GRC implementation a SOA should be based on governed services, i.e. services that include basic components such as logging of audit trails, security policies and support for business activity monitoring.

On the other hand capital markets and regulators require a risk oriented management style that applies business performance measurement and financial reporting as a key element of a Corporate Governance structure.

The challenge for the enterprise of today is to adjust and harmonise these internal controls to the changing business process environment and steer the organisational change.

Business Continuity Management

Business Continuity Management is an essential discipline as discussed by one of the 14 experts at the conference, namely boardmember of the Business Continuity Institute James Royds. Incidents occur daily that threaten to impact the smooth running of any organisation. Regardless of their cause or severity, management often has no warning and little direct control over them. Yet their significance to the organization can be managed, if people have anticipated and prepared for them appropriately. A senior executive has a responsibility to reduce the likelihood of such incidents and to minimize the impact should they occur. This duty of care is to all stakeholders: staff, shareholders, customers, suppliers and the community. Business Continuity provides a method in which that duty of care and corporate social responsibility can be addressed and delivered in a practical and effective manner.

Constructive Conclusions

All 90+ participants have come away from this conference with some strong, positive conclusions. The future should be more financially stable because legislation requiring documentation and accountability for

decision makers will make risk lower and more manageable. Experts in implementing compliance with all these requirements will be among the key responsible people in this new economy, and they will oversee the balance between risk and governance.

Being optimistic is not a solution in itself. Optimism is an attitude that generates the toughness to persist in moving towards goals. An American proverb says, "When the going gets tough, the tough gets going." This is exactly what compliance requires.

ISACA members can download all the 14 presentations. Simply send an email to info@eurosox.dk and links to Access the presentations will be provided.



Kersi F. Porbunderwalla er managing partner hos Controllers. Han har været med til at etablere Copenhagen Compliance.

Member benefits

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