



K2 Consulting Co. Ltd.

曉峰顧問有限公司

Security Management • Investigation • Crisis Management

The Role of Security Controls in Corporate Governance

For: ISACA HK Chapter

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“Corporate governance is defined as the set of responsibilities and practices exercised by the board and executive management with the goal of providing strategic direction,

- ensuring that objectives are achieved;*
- ascertaining that risks are managed appropriately; and*
- verifying that resources are used responsibly.”*

Information Audit and Control Foundation, 2001

KEY DRIVERS



*Do you know
who you're
dealing with?*



INVESTIGATIVE DUE DILIGENCE

Why?

- To comply with legal and regulatory requirements
 - Duty of care and skills
 - System to appoint and control 'fit and proper' manager
 - Anti-money laundering
 - Anti-terrorism
- To mitigate loss caused by misconduct or substandard performance by staff, vendors or partners
- To facilitate an informed decision of hiring, outsourcing or partnering

INVESTIGATIVE DUE DILIGENCE

When?

- Hiring of key executives
- KYC for anti-money laundering and anti-terrorist activities
- Major financial transactions
- Outsourcing exercises
- Mergers, acquisitions and alliances

INVESTIGATIVE DUE DILIGENCE

How?

- An open and structured approach
 - Subject's consent and knowledge
- Lawful and ethical
 - Data Protection Principles
- A final due diligence report
 - To facilitate an informed decision
 - To document the efforts done in good faith prior to deciding on the relationship or transaction

*When relationship turns
sour.....*





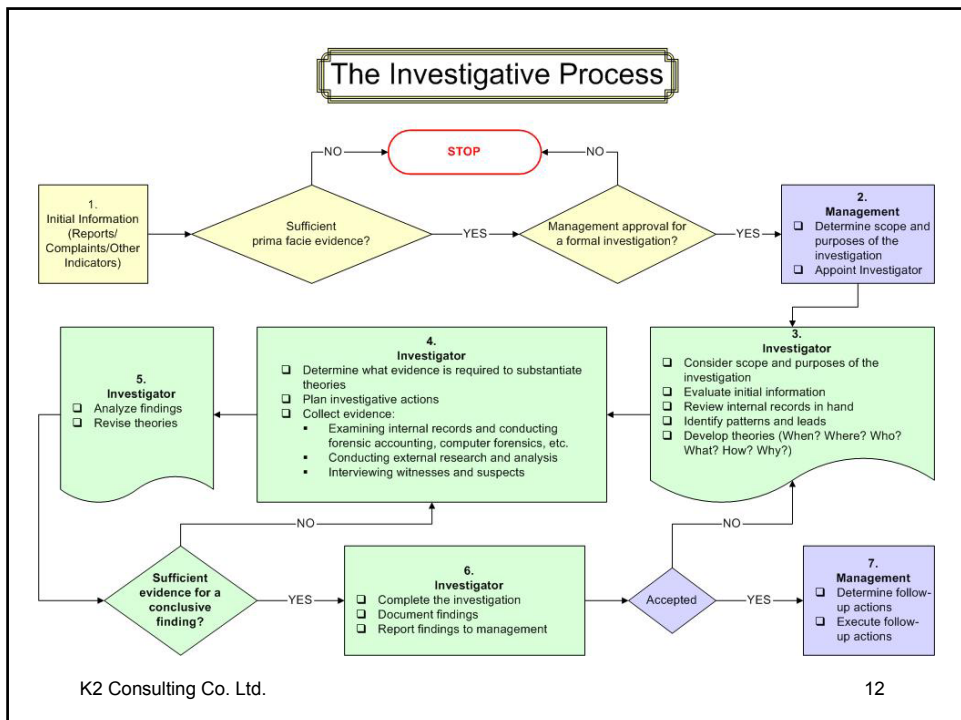
*Upon
entering a
new market
or new
business
venture.....*

Indicators/Sources

- Management reports
- Media reports
- Anonymous complaints
- Complaints from customers or other third parties
- Complaints from staff, vendors or other stakeholders
- Regulators
- Other sources

Common Allegations/Suspicious

- Discrimination, e.g. race, sex, disability...
- Substandard service, product...
- Mismanagement
- Non-compliance with company policy or code of conduct
- Breach of legal and regulatory requirements
- Crime, e.g. theft, fraud, corrupt practice...



PRIVATE INVESTIGATIONS

How?

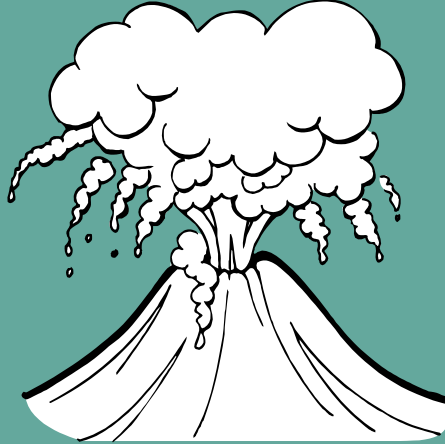
- Policy
 - Public vs. private investigations
 - Criteria, authority, responsibility and process
- System
 - Report handling
 - Supervisory and administrative controls of investigations
 - Confidentiality
 - Specialist support
- Investigative process
- Reporting
- Follow-up actions

PRIVATE INVESTIGATIONS

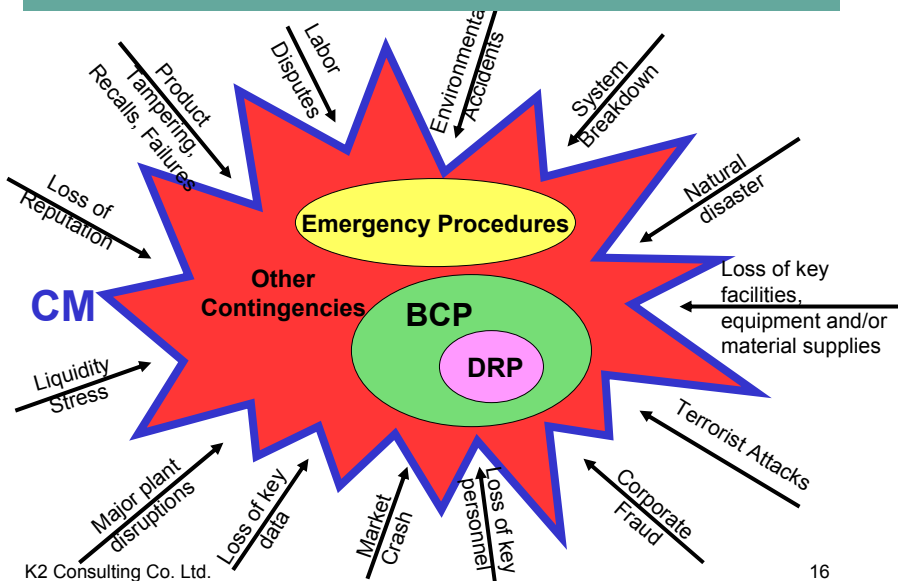
Considerations

- Objectives
 - To determine the full extent and parties responsible
 - To deter and prevent recurrence
 - To recover loss
- Authority(?)
 - Interviewing suspects and witnesses
 - Seizing exhibits and preserving evidence
 - Right to know vs. privacy
- Obligations
 - Auditors' obligation in reporting fraud (S.157 of the Securities and Futures Ordinance)
- Disclosures and exposures

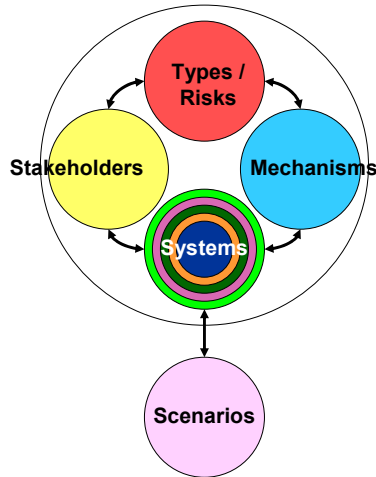
When it goes bang.....



CRISIS MANAGEMENT



CRISIS MANAGEMENT

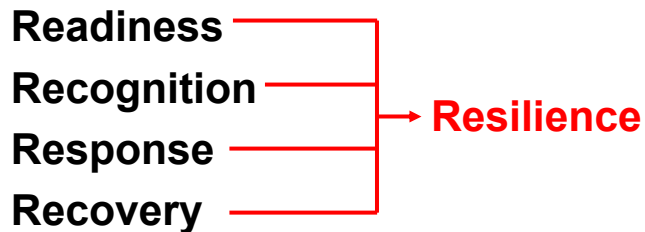


SYSTEMS

- Technology
- Organizational Structure
- Human Factors
- Organizational Culture
- Top Management Psychology

*From Ian I. Mitroff, Managing Crises Before They Happen
(US: American Management Association, 2001)*

CRISIS MANAGEMENT



Key: Decisions, Actions, Communications

CONCLUSION

“Corporate governance has made risk management very topical, but you cannot go through the risk management process for those reasons. You have to do it because it helps the business. If you go through the process ... for corporate governance reasons you simply end up with bureaucracy.”



Bill Connell
Chairman of FMA
Director of Risk Management at BOC

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19



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Q & A

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