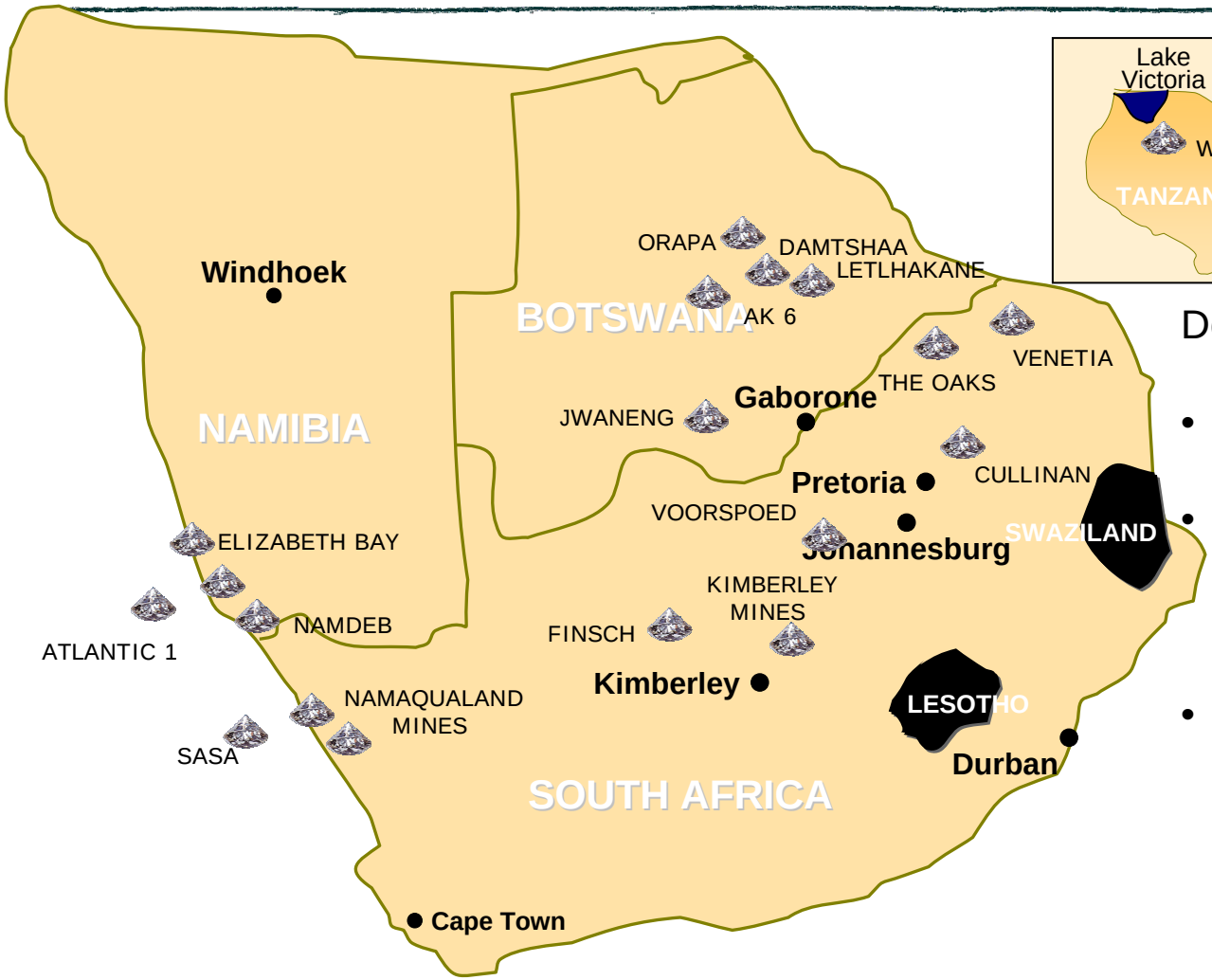
Jean Buÿs
Group Lead Information Management - MRM
Mineral Resource Management
De Beers Group Services
www.debeersgroup.com
jean.buys@debeersgroup.com

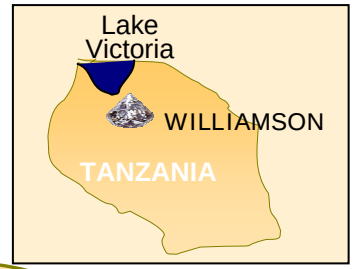
Corporate Governance & EA
- Building procedures made easy -

*‘**Corporate governance** is the set of processes, customs, policies, laws and institutions affecting the way a corporation is directed, administered or controlled.*
Corporate governance also includes the relationships among the many stakeholders involved and the goals for which the corporation is governed’

http://en.wikipedia.org/wiki/Corporate_governance

De Beers Family of Companies





DE BEERS
A DIAMOND IS FOREVER

De Beers is a truly global company:

- exploring for new deposits on five continents,
- mining in several countries (including South Africa, Namibia, Botswana, Tanzania and Canada) and
- marketing diamonds in eleven major consumer markets.

The De Beers "family of companies" collectively are responsible for around 40% of world diamond production by value.

Some good reasons to model your business

Communication & Sharing	Create Common Understanding Single Corporate knowledge repository Training aids
Consolidate & Standardise Processes	Common processes between operations, divisions or mergers & acquisitions
Organisational Design	RACI or RAID – Agree who does what Create structures aligned to process
Outsourcing	Define scope of outsourcing Clear Interface identification Expectation clarification
System Acquisition & Implementation	Identify Automation Opportunities Design /Select appropriate systems Application architecture (current & future)
Compliance	**Enables disclosure of internal controls and processes** **Accreditation, Compliance, Governance & Assurance** **Documented, visible & followed processes**
Process Optimisation	Improve current process Identify & remove inefficiencies Debate new business models

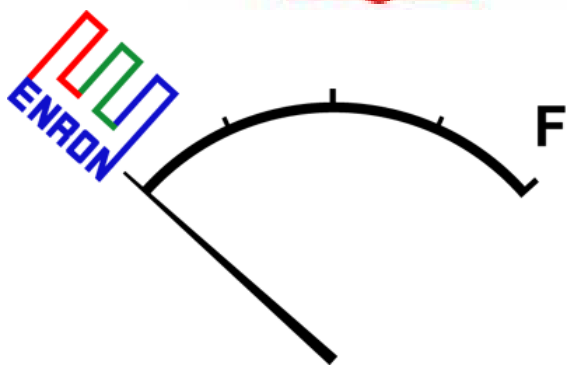
Corporate Governance – Why all the fuss?

*...the hearing will be focused on corporate governance in **exploration and production** divisions...*
*...sent Shell's **stock plummeting**, and the company fired two top executives ...*
...deep-seated weaknesses in Shell's corporate governance...
...Finance chief forced out...Chairman forced to quit ...
...Shell Settles Oil Reserve Fraud Case for $150.7 Million...
...several top Shell executives lost their jobs in the wake of the scandal ...
*...Shell's new board ... won over shareholders with promises to **improve corporate governance**...*

*...**shake up corporate governance** and auditing rules after scandals at WorldCom and Enron...*
*...Former Enron chief starts his new life behind **bars**...*
*...total **breakdown** in corporate governance...*
*...'Architect' of WorldCom collapse is **jailed**...*

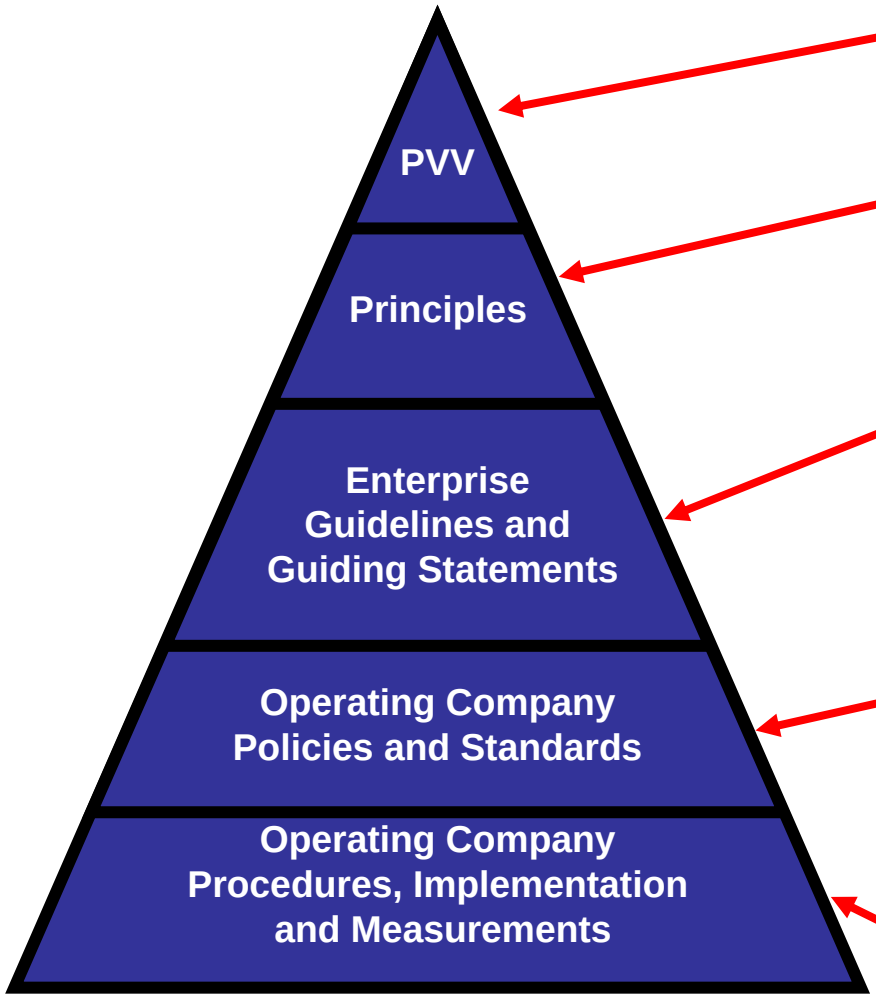
parmalat

WORLDCOM



The De Beers Corporate Governance framework

the set of processes, customs, policies, laws and institutions affecting the way a corporation is directed, administered or controlled



Purpose, Vision, Values

Principles
Basic generalizations that are accepted as true and according to which the company undertakes to *conduct* its business

Guideline
Any document that aims to streamline particular processes according to a set routine. Guidelines are used by organisations to make the actions of it's divisions or employees more predictable and presumably of better quality.

Policy
A *list of commitments* that are intended to control decisions and actions and give substance to the principles

Procedure
A documented series of activities, tasks, steps, decisions, calculations or other processes, that when undertaken in the specified sequence, produce the desired results, product or outcome

Procedures, Processes and Models

Procedure

A documented [illegible] of [illegible], decisions, calculations or other processes, that when [illegible] in the specified [illegible], produce the desired [illegible]

vs.

Business Process

A business process is a [illegible] of [illegible], conducted by both [illegible], that will lead to accomplishing a specific [illegible] i.e. it defines who does what, where, [illegible] how to accomplishing the organizational goal

∴ use Business Processes to describe a Procedure

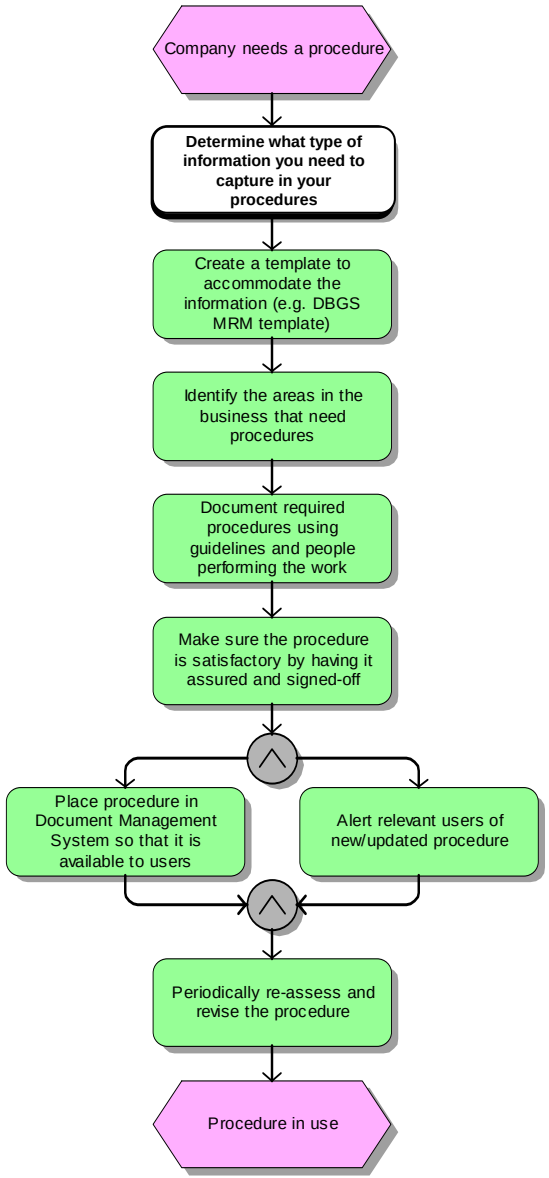
So why do we document Procedures using Business Processes?

A business process model is a graphical representation of a business process. The purpose of a well-defined process map is to graphically illustrate the essence of the business process. By simply looking at it, it enables the end users to stay on track by providing a visual flow of the entire procedure - *a picture paints a thousand words*

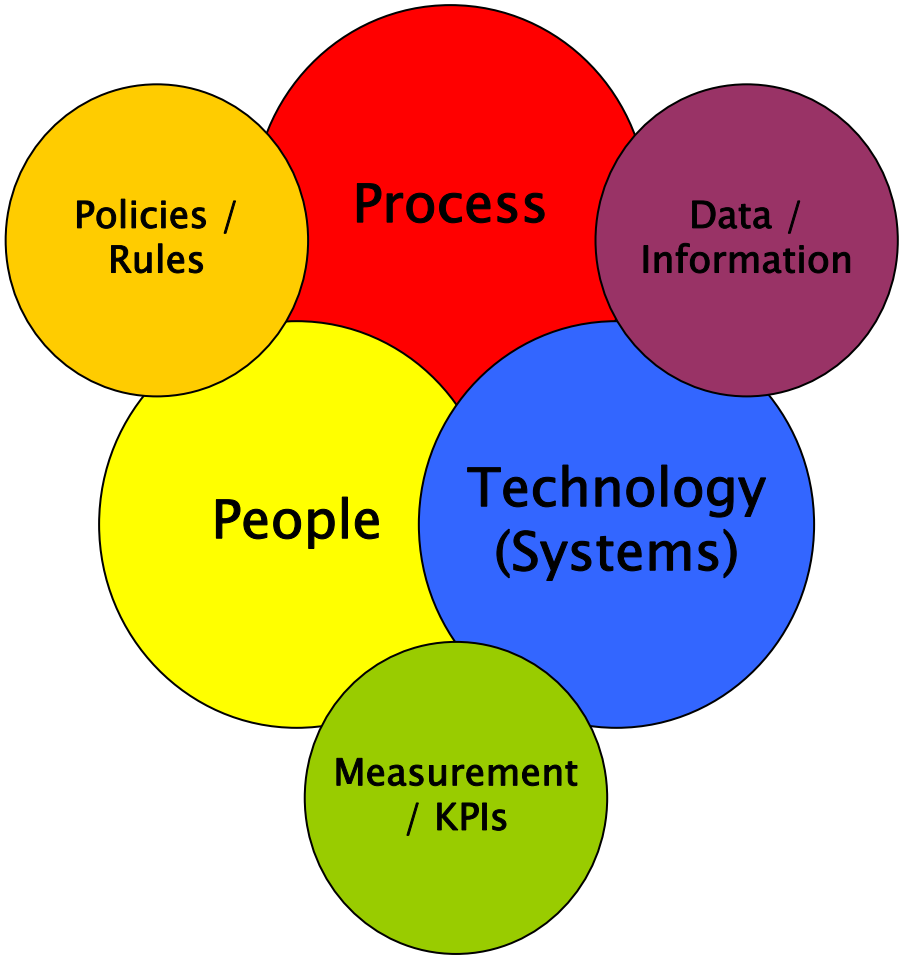
Business Process Modelling is a key tool that we will use to document the series of activities that constitute a business process/procedure

So what is the process to create a procedure?

Determine what type of information you need to capture



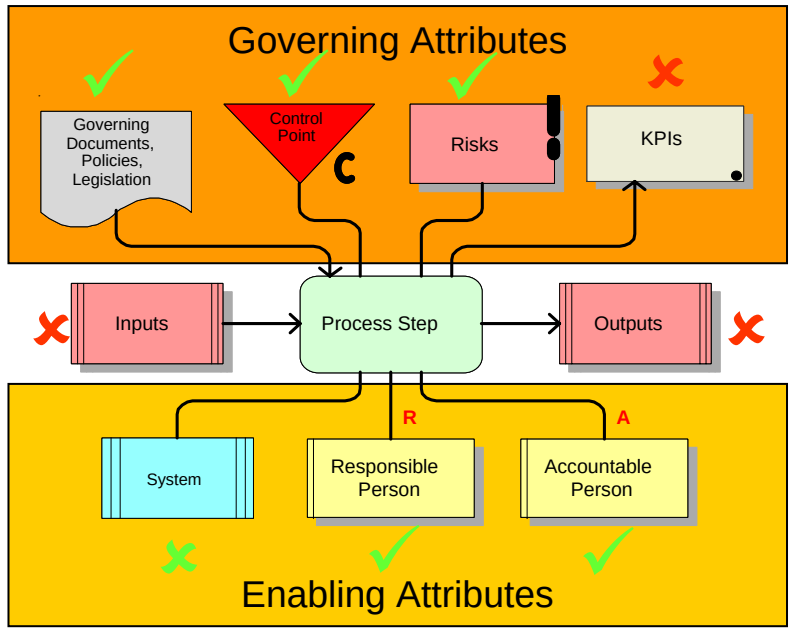
Business Process Enablers



PROCESS DOCUMENTATION QUESTIONS
What activities are performed, and in what order? What are the dependencies?
Who performs the activity? Who is responsible? Accountable?
Is the function supported through an IT system?
What data is required (input)? What data is generated (output)? How is this information used?
What policies & procedures govern the process?
What measurements let you know how the process is performing?

Pick the components that you want…

- The people (who should be doing what)
  - RACI or RAID
- The rules (governing our business)
  - e.g. Sox, Internal Guidelines, etc.
- The checks and balances (where risks are mitigated)
  - Control points
- The inputs and outputs
  - Required to commence
  - Required by clients
- KPIs
  - Metric that tells us if the process is going well /badly



Some auditing lingo

Risk is the uncertainty of an event occurring that could have an impact on the achievement of objectives
A risk is any event or action, generated internally or externally, which prevents an organization from achieving its goals and/or objectives.

A control point is a point in a process where internal control is required to mitigate risk
A control point provides reasonable assurance that an organization's objectives are being achieved wrt the

- effectiveness and efficiency of operations
- reliability of financial reporting
- and compliance with applicable laws and regulations

A key control point is a point in a process where all preceding risks are mitigated

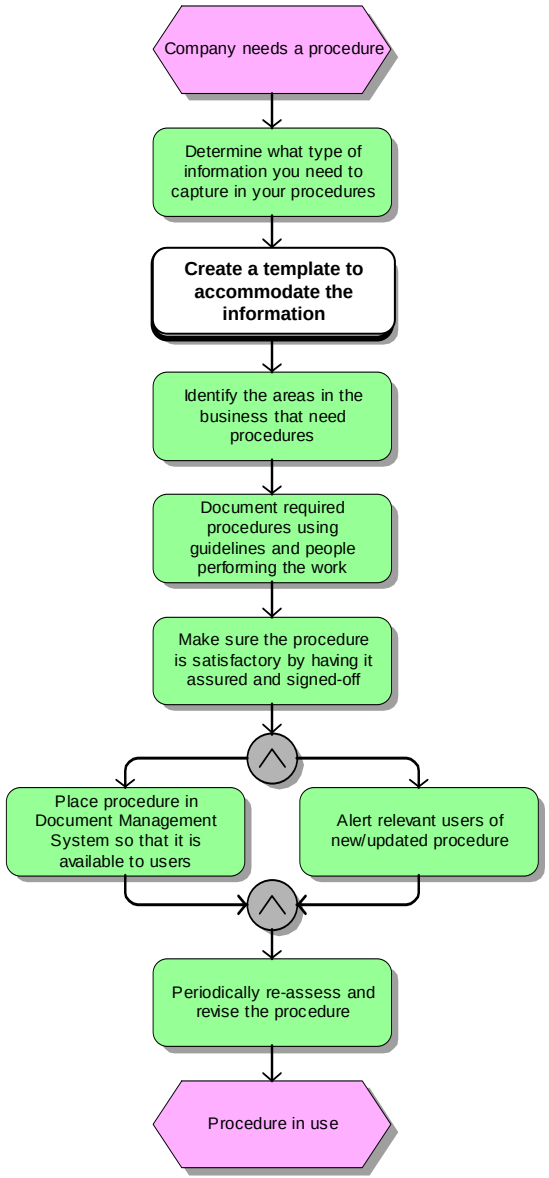
Types of control activities an organization must implement are

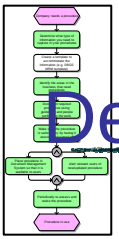
- preventative controls (controls intended to stop an error from occurring),
- detective controls (controls intended to detect if an error has occurred)
- mitigating controls (control activities that can mitigate the risks associated with a key control not operating effectively).

Risks affect control objectives in the areas of

- data integrity and accuracy
- timeliness of the information for decision making
- ability to access the system
- confidentiality/privacy of information
- etc.

Create a template to accommodate the information





Template Example
Dependant on the process components that you picked

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PROCEDURE					
Document No.	[*Type Document No*]	**Effective Date**	[*Type Date*]	**Version**	[*Type Version*]
Owner	[*Type Owner*]	**Compiled By**	[*Type Compiled By*]		
Applicability	[*Type Applicability*]	**Assured By**	[*Type Assured By*]		
Subject	[*Type Subject*]	**Approved By**	[*Type Approved By*]		

Introduction and scope
[Define the *scope* of the **Procedure** by giving an overview of business area/process where the **Procedure** will be applicable. Specify the *purpose* and *rationale* for having the specific **Procedure** in the identified business area. Provide an *overview* of what the rest of the **Procedure** contains and explain how the document is organized.]

References
[This section describes by reference any applicable standard and the specific sections of any such standards which apply to the procedure being described. For example, this could include legal, quality and regulatory standards, industry standards, governmental compliance, etc.
Detail the specific policies, guidelines, standards, etc that must be conformed to or referred to when executing the procedure. Provide a complete list of all documents referenced elsewhere in the **Procedure**. Each document should be identified by title, report number (if applicable), date, and publisher. Specify the sources from which the references can be obtained.]

Document	Ref#

Key Deliverable Milestones or Deadlines
[State specific deadlines that must be adhered to and the outputs required at the stated milestones]

Description	Deadline

De Beers Group Services (Pty) Limited
Mineral Resource Management
Cornerstone Building
P.O. Box 82851, Southdale, 2135
South Africa

Page 1 of 3

Template details 1 - Header

PROCEDURE					
Document No.		Effective Date		Version	
Owner		Compiled By			
Applicability		Assured By			
Subject		Approved By			

Effective Date
[State the implementation date of the procedure]

Version
[Procedure version number]

Owner
[State the department or area that owns the procedure]

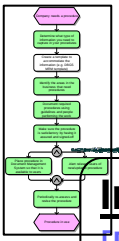
Compiled By
[State the name of the person responsible for drafting the procedure]

Applicability
[State where the Diamondream Group is applicable]

Assured By
[State which the procedure is applicable to]

Subject
[State the title of the procedure]

Approved By
[State the title of the signed-off the procedure]



Template details 2 - Intro

Introduction and scope

[Define the *scope* of the Procedure by giving an overview of business area/process where the Procedure will be applicable. Specify the *purpose* and *rationale* for having the specific Procedure in the identified business area. Provide an *overview* of what the rest of the Procedure contains and explain how the document is organized.]

References

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Detail the specific policies, guidelines, standards, etc. that must be conformed to or referred to when executing the procedure. Provide a complete list of all documents referenced elsewhere in the Procedure. Each document should be identified by title, report number (if applicable), date, and publisher. Specify the sources from which the references can be obtained.]

Document	Ref#

Key deliverables, milestones or deadlines

[State specific deadlines that must be adhered to and the outputs required at the stated milestones]

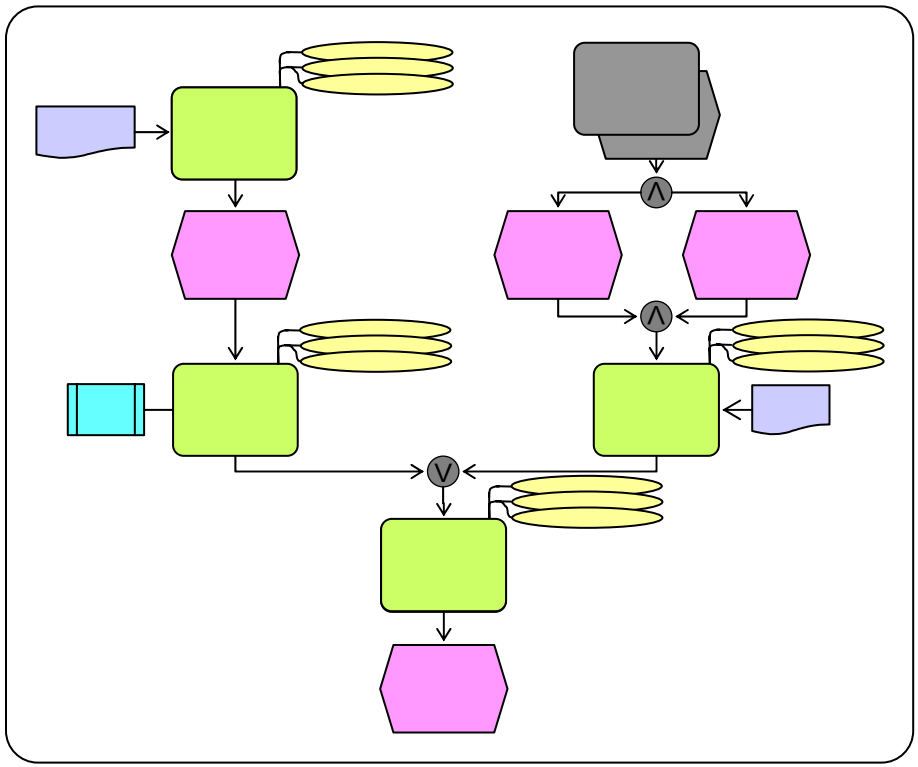
Milestone description	Deadline

Template details 3 - Process

Process description

[This section describes the detailed process steps that are required by the procedure. A business process model is used to describe the required work steps.]

Level 4 process name



Template details 4 - Details

For each process step the following process attributes should be described where applicable

Activity	Description	System	Governing Documents	Ctrl Pnt
[Activity step 1]	[Detailed description of activity]	[System name]	[Doc reference]	[Y/N]
	Outputs	[Key outputs and descriptions]		
	Risks	[Risks wrt e.g. data integrity and accuracy, timeliness of the information for decision making, ability to access the system, confidentiality/privacy of information]		
	KPIs	[Key Performance Indicator to tell us if the process is going well or badly]		

***[Control points** - A control point is a point in a process where control is required to mitigate risk*
Types of control activities to implement are preventative controls (controls intended to stop an error from occurring), detective controls (controls intended to detect if an error has occurred), and mitigating controls (control activities that can mitigate the risks associated with a key control not operating effectively).]

Template details 5 – Finish off

Procedure RACI or RAID

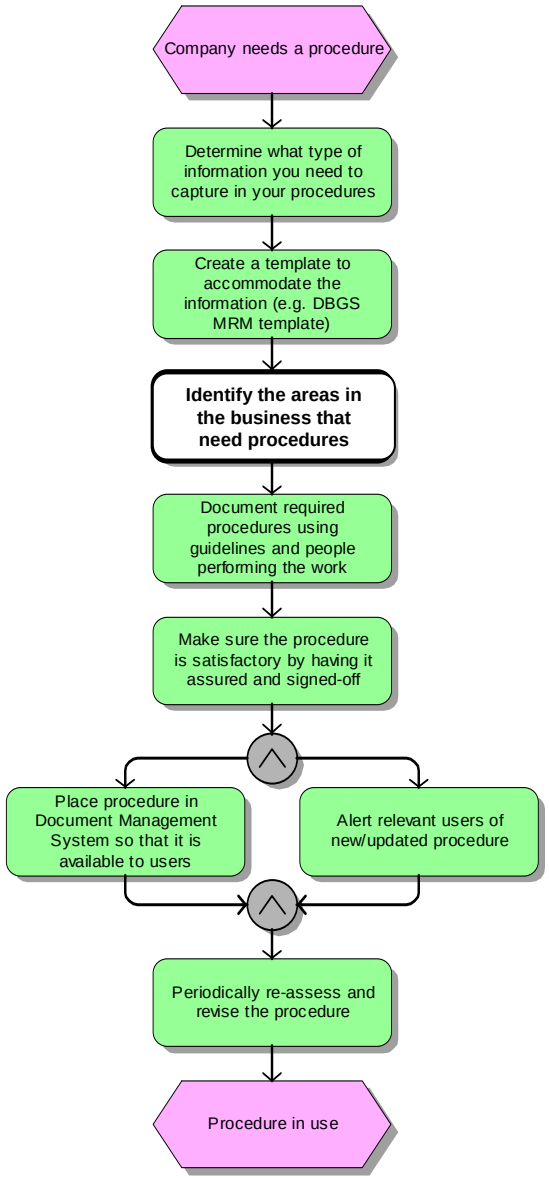
Activity	Role, Position, Job 1	Role, Position, Job 2	Role, Position, Job 3	Role, Position, Job 4	Role, Position, Job 5	Role, Position, Job 6
[Activity step 1]	A	R	C	R		I
[Activity step 2]	I		R		A	
[Activity step 3]	A	C			R	

R=Responsible A=Accountable C=Consult I=Informed
or *R=Recommend A=Approve I=Input D=Decision*

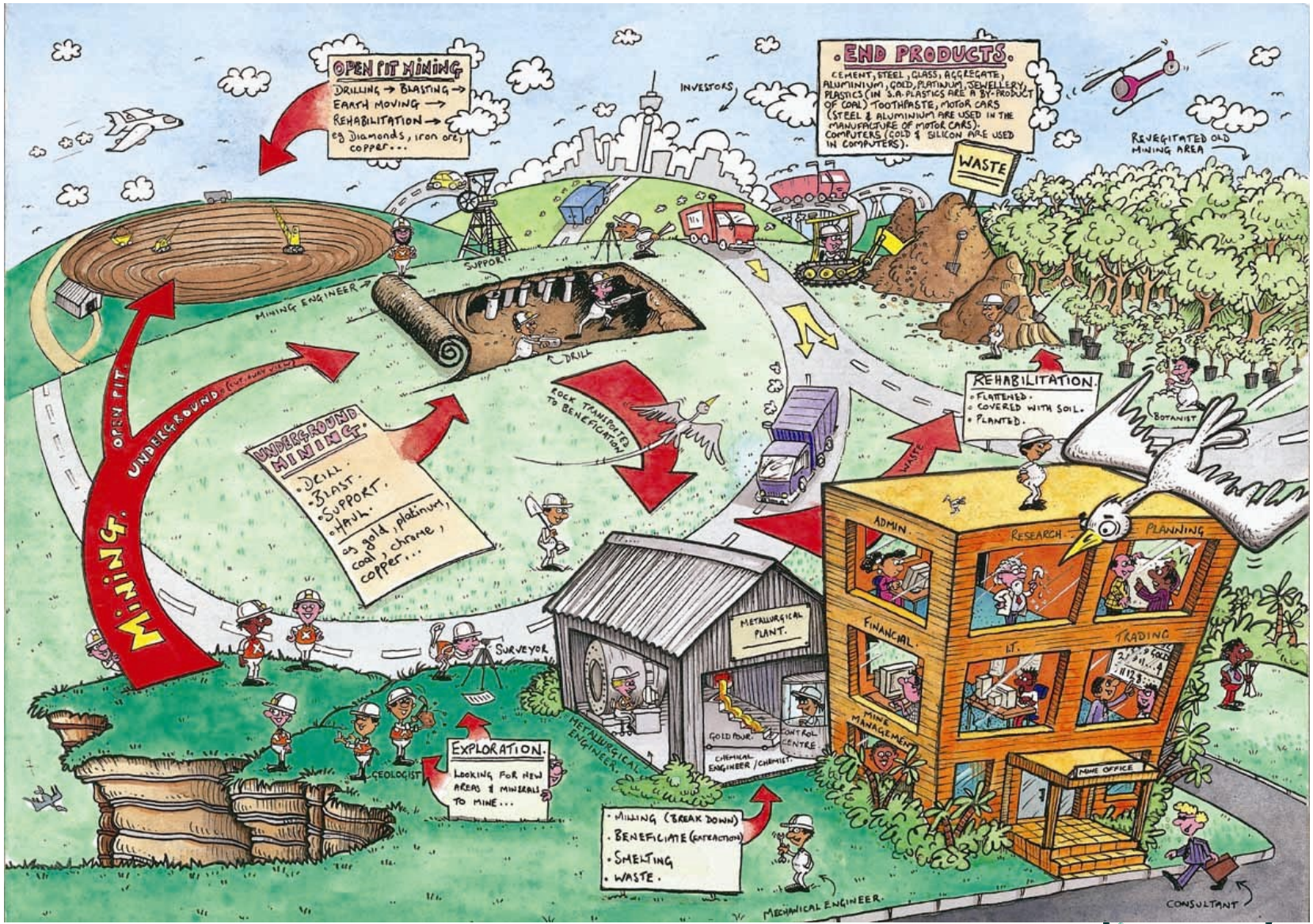
Appendices

[The supporting information makes the Procedure easier to use.]

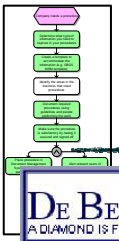
Identify the areas in the business that need procedures

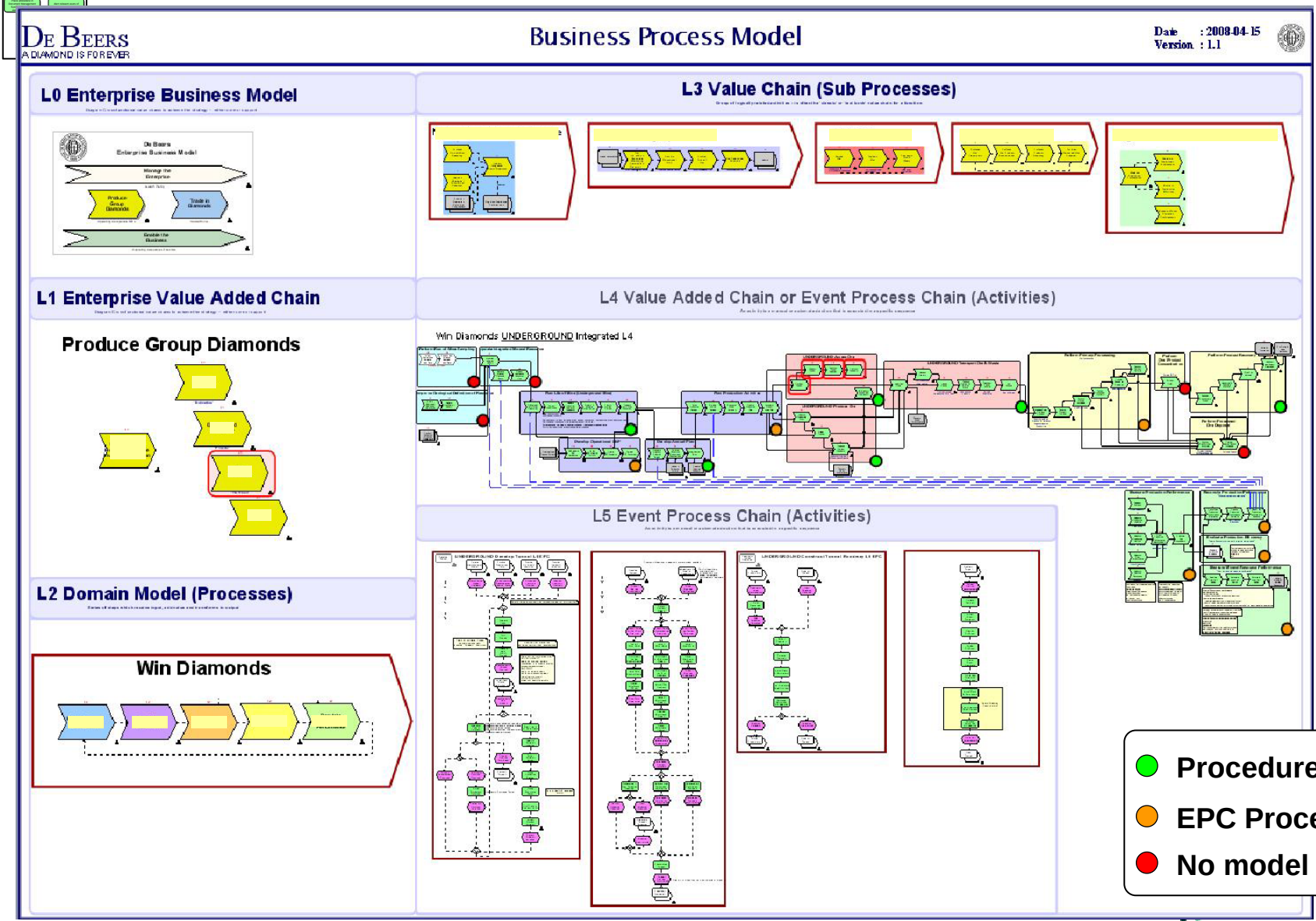


So where do we need procedures?



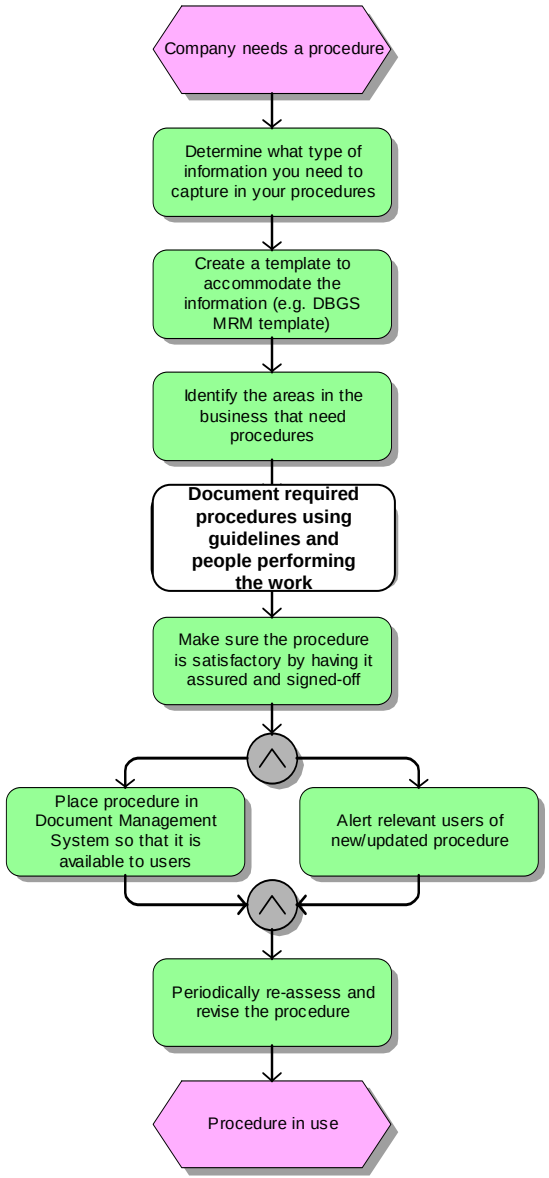
Framework for keeping track of procedures





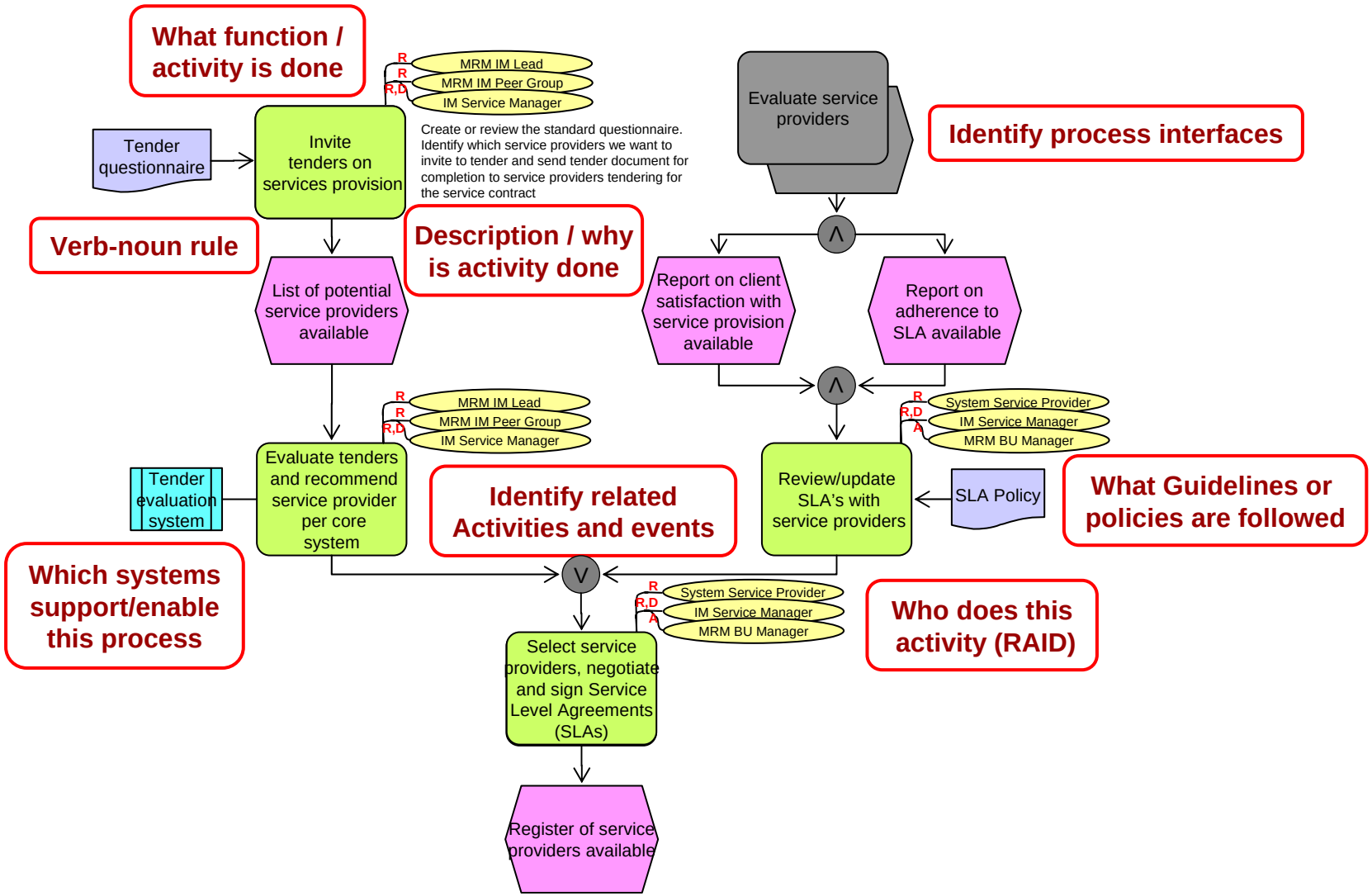
- Procedure
- EPC Process model
- No model

Document the required procedures

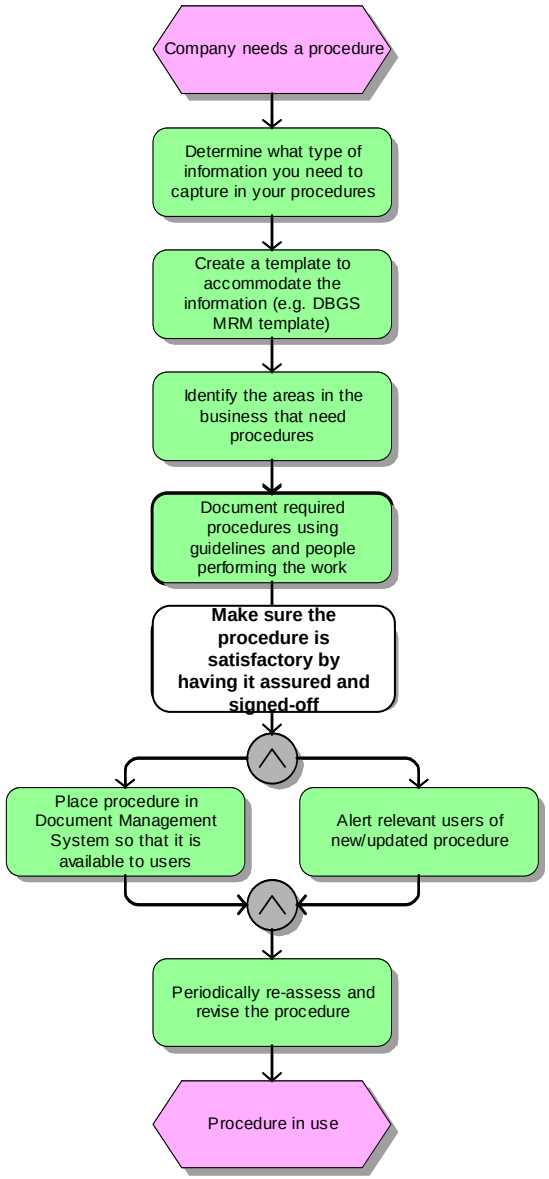


Build the business process model

So what does a good model show?



Get signoff for the procedure



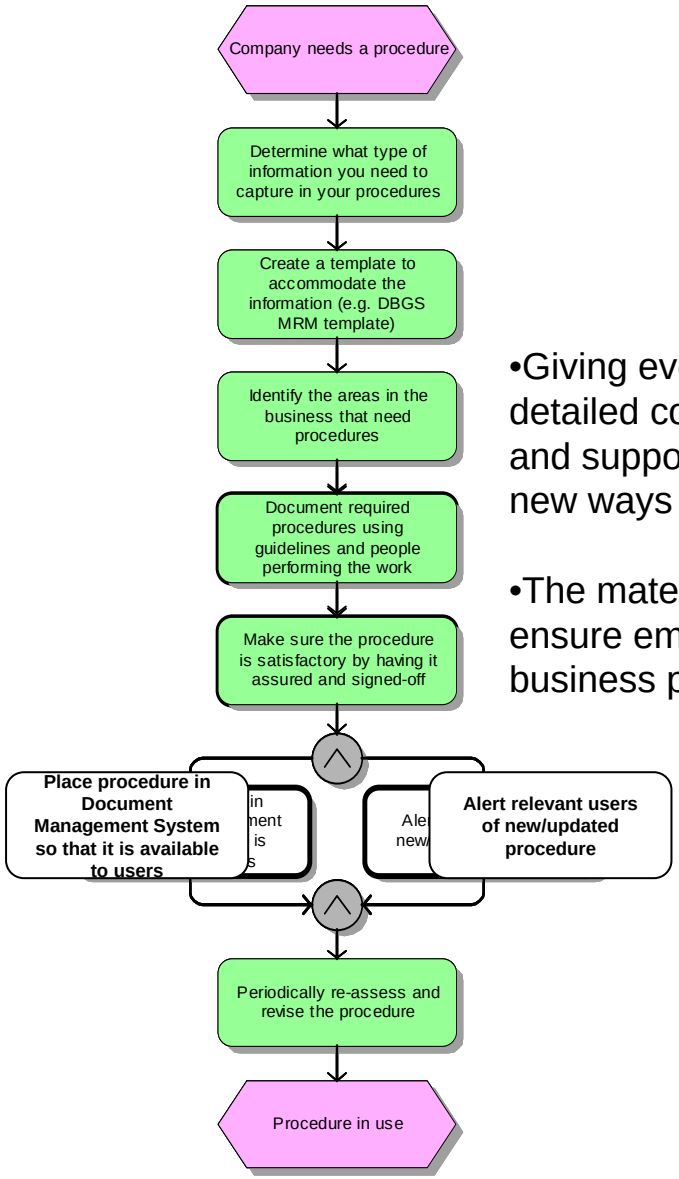
Signoff

PROCEDURE					
Document No.		**Effective Date**		**Version**	
Owner		**Compiled By**			
Applicability		**Assured By**			
Subject		**Approved By**			

Assured By
[State who reviewed and provided assurance on the content of the final procedure]

Approved By
[State the person that signed-off the procedure]

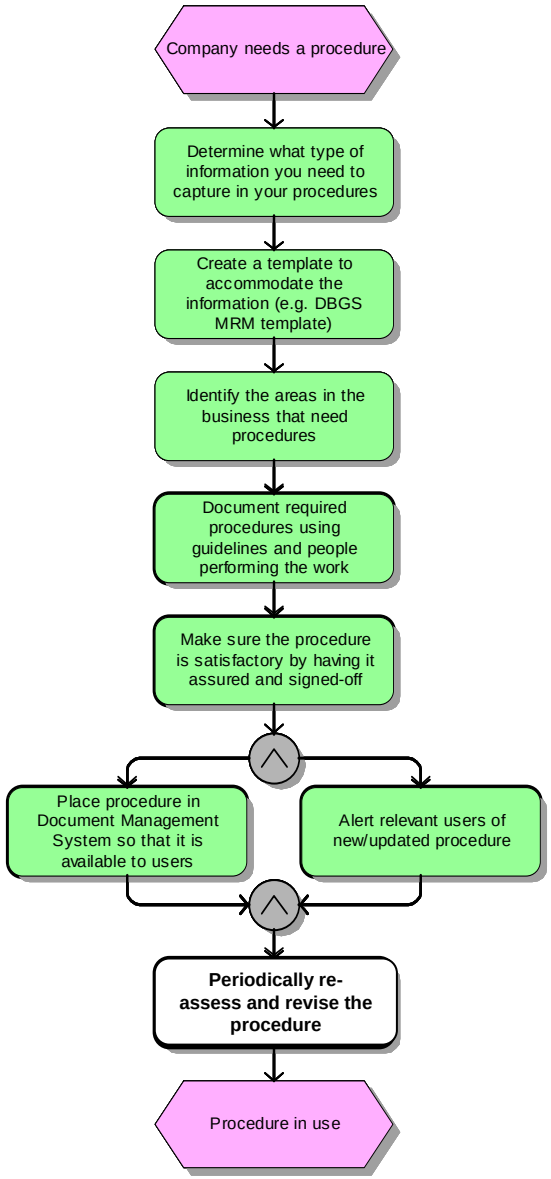
Place procedure in Document Management System AND Inform relevant users of new/updated procedure

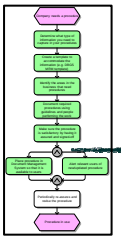


- Giving everyone in your company easy access to detailed company-specific policies, procedures, and support documents makes it easier to adopt new ways of doing business.

- The material should be centrally maintained, to ensure employee access only the most up-to-date business process information.

Continuously improve the procedure

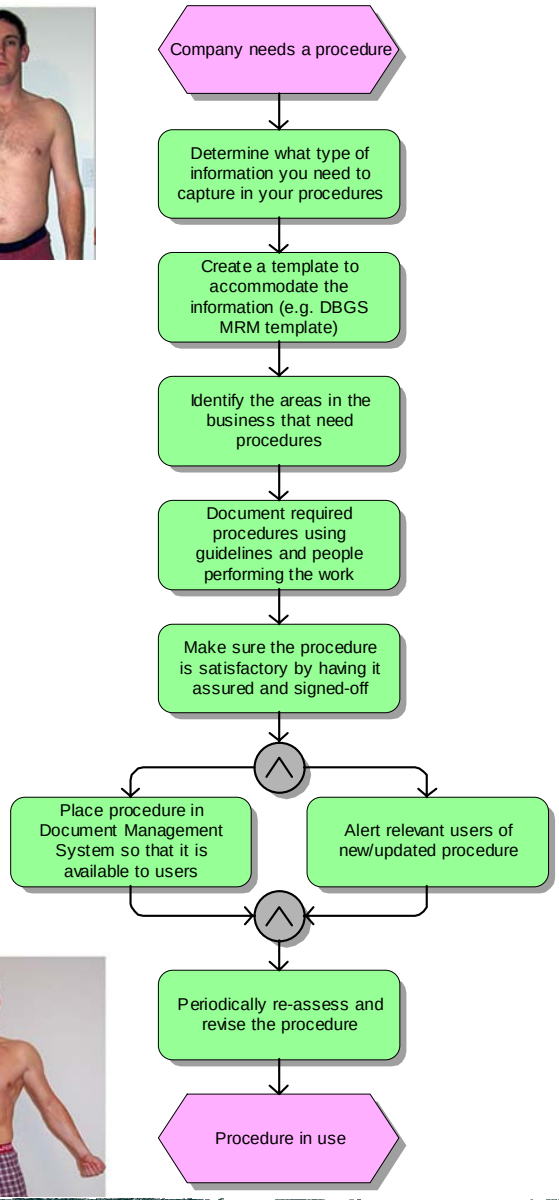




Business Process Improvement

ENABLER	PROCESS IMPROVEMENT QUESTIONS
Process	What do we need to start doing? What can we stop doing? Is this step required? Why is it done? Who is it done for? Why are we doing this? Should we be doing something else?
People	Who should and who shouldn't be doing things? Do they have the right skills? Do we have enough? Are they in the right place?
Technology/ Systems	Is the process adequately automated? Where can systems help? Where are systems hindering? Where are they not required?
Data/ Information	What information do we need? What information is missing? What info is not used? Is the data correct? Who uses it?
Policies/ Rules	Do we have all the right rules in place? Where are there policies missing? Where do they hinder? Are they being followed?
Measurement/ KPIs	What measurements should we have? How will we know the process is going well or badly?

So to summarize…



The process starts with an event that is triggered by corporate governance's need for documented procedures.

The event triggers a set of actions to build and put procedures in place.

The process ends when the procedure is in use and continually improved upon.

Key Benefits to using process models procedures

- Improved identification of risk and controls
- Reduced audit costs with uniform process documentation standards
- Reduced training time and expense
- Improved ability to manage and track business process evolution
- Improved business process execution

Done!

- While documented procedures alone cannot enforce corporate governance, they are a necessary component of compliance.
- Increasing the visibility and improving the control of your business practices through documentation will better prepare your organization for any audit process.
- Documented business procedures are the first step in corporate governance!

Questions?