

Risk and Controls in the Public Cloud: What's New from SAP

Dr Neil Patrick, SAP

SAPinsider
2023



In This Session

- Join us as we take an in-depth look at SAP's public cloud solution for risk management and compliance - SAP Financial Compliance Management.
- The software already supports companies that are developing a single consolidated view over adequacy of controls.
- It is now extended to cover risk management as part of the same framework.

Agenda

- Business challenges that GRC can address
- SAP GRC in the Public Cloud - Benefits
- Risk and Control in a single public cloud solution
- Where we go from here
- Wrap Up



Business challenges that GRC can address

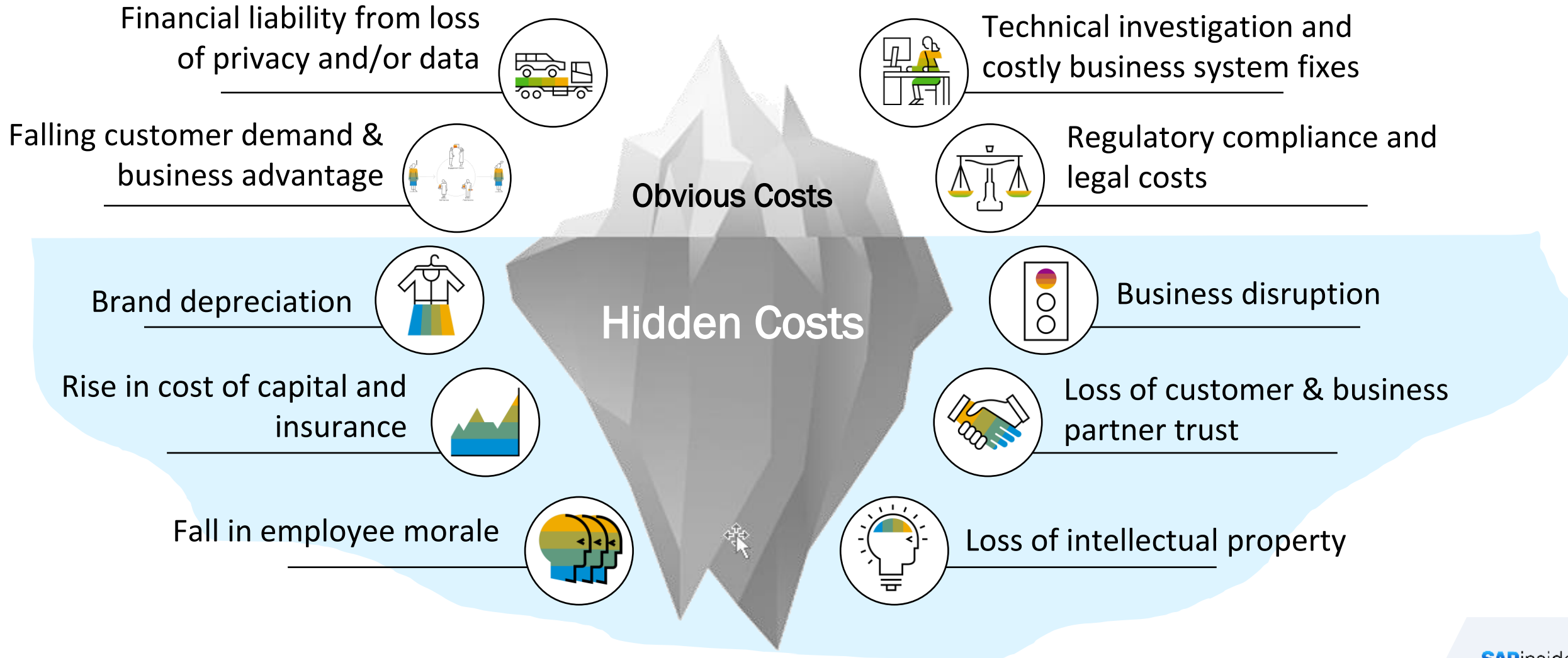
- 30% increase in cost of compliance expected by companies.
- 75% of companies to increase risk management spend.
- 50% of companies to automate controls.

1. [“Compliance Risk Study 2022 Report: Find Calm in Every Compliance Storm,”](#) Accenture, May 2022.
2. [“2022 Global Risk Survey,”](#) PwC, 2022.
3. [“GRC State of the Market 2023 – Benchmark Research Report,”](#) SAP Insider, SAP SE 2023.



Significant Disruptions and Risk of Failure

The era of unpredictable events, new regulations and cyber crime



Top 5 Challenges for Small to Medium Businesses

SAP Internal Analysis

Talent Shortage and Staffing

- Recruiting talented staff
- Churn and instability
- Retaining employees
- Employee productivity
- Disengaged employees
- Remote workforce

Sales and Revenue

- Attracting new customers
- High transaction costs
- Retaining customers
- Growing revenue
- Growing market share
- Client dependence
- Converting leads

Rising (operating) Costs

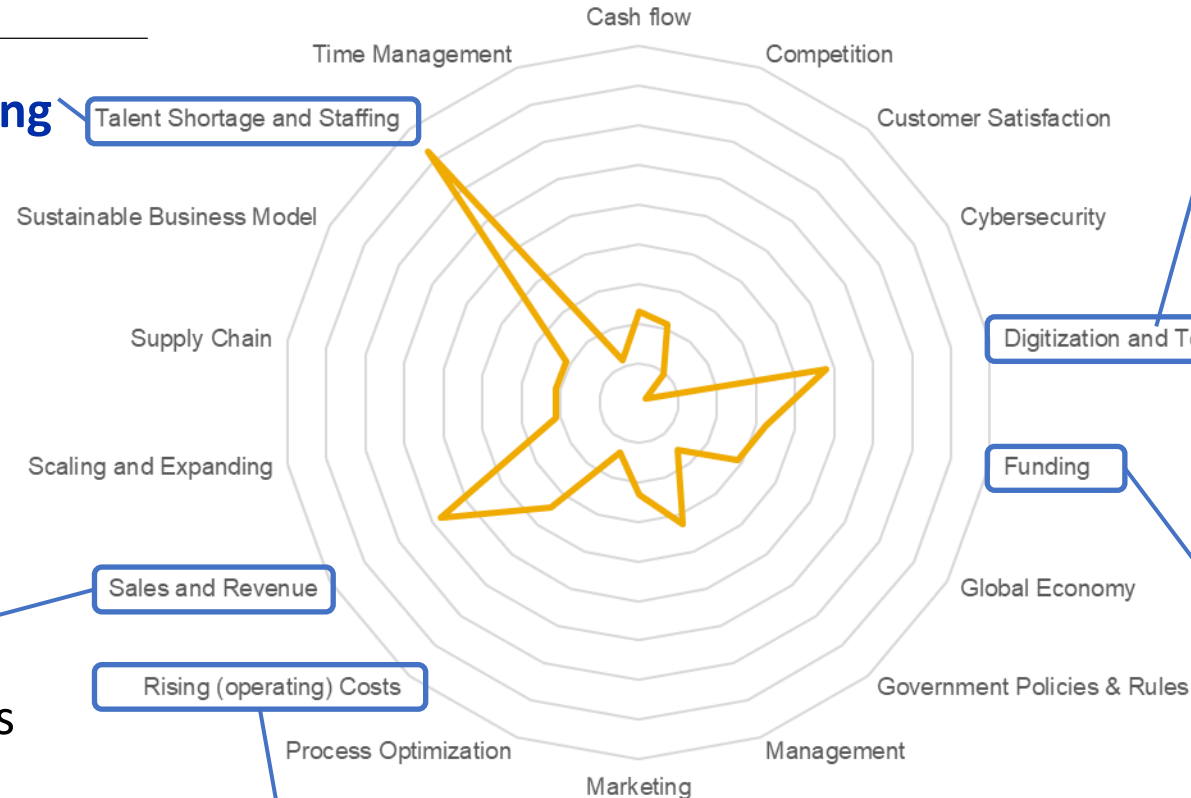
- Increase in ongoing costs
- Managing taxes (incl. filing)
- Tracking expenses
- Lack of resources
- Cost of borrowing

Digitization and Technology

- Digital transformation
- Digital adoption
- Online presence
- Poor use of technology
- Not going digital

Funding

- Access to capital
- Funding the business
- Managing loans
- Seeking funding from investors
- Funding crunch



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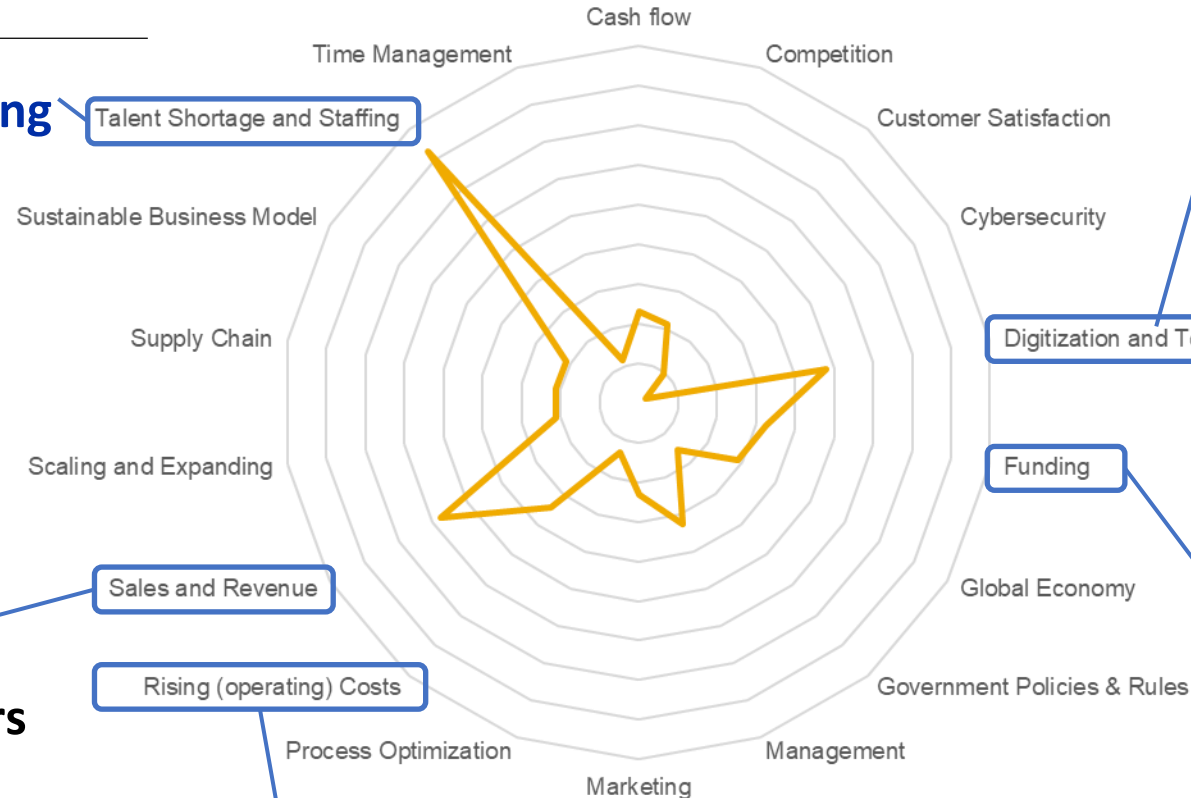
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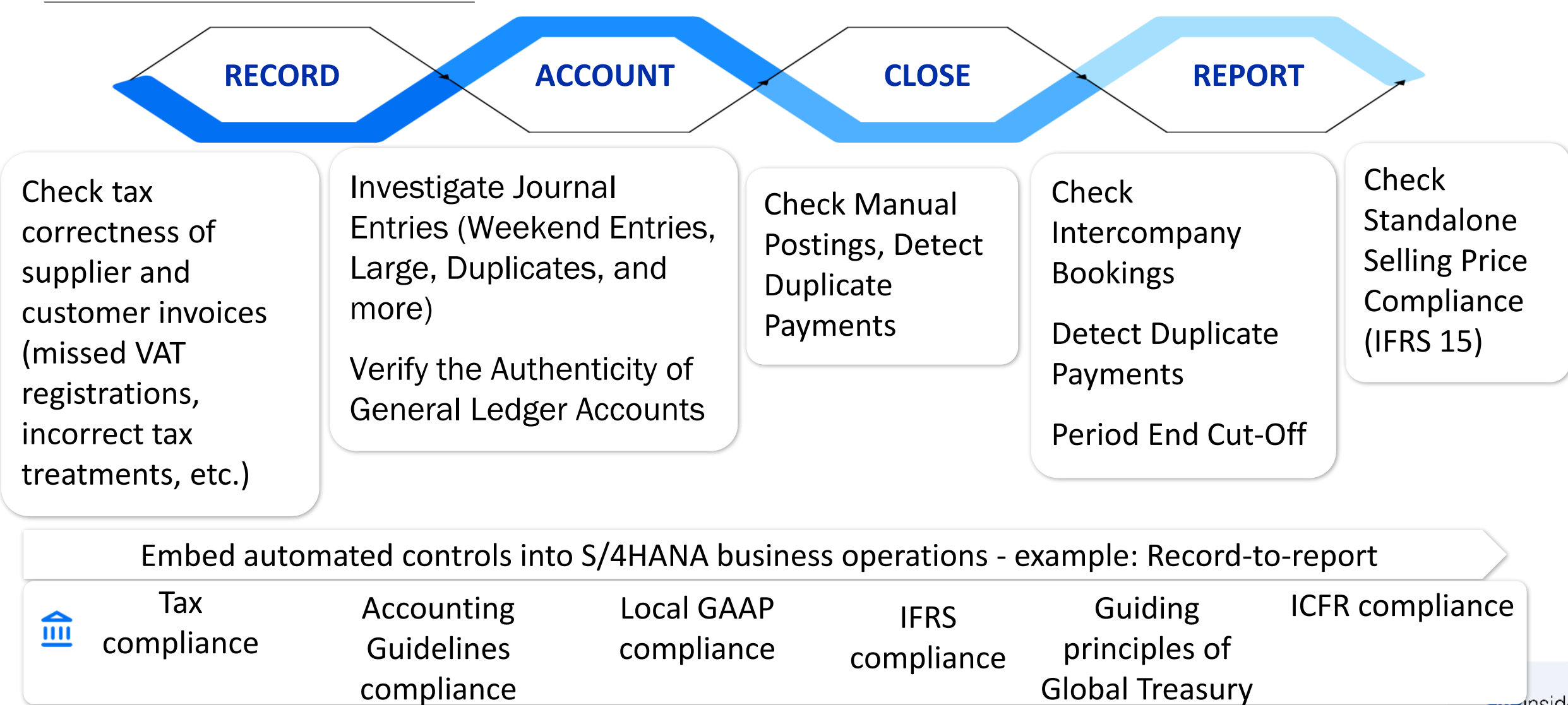
Funding

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GRC Approach – Example 1: Record to Report Process

Use of SAP Financial Compliance Management ready to run Automated Procedures



GRC Approach – Example 2: Days Sales Outstanding

Page 1 of 3

DSO ratio = Accounts Receivable / Net Credit Sales X Number of Days

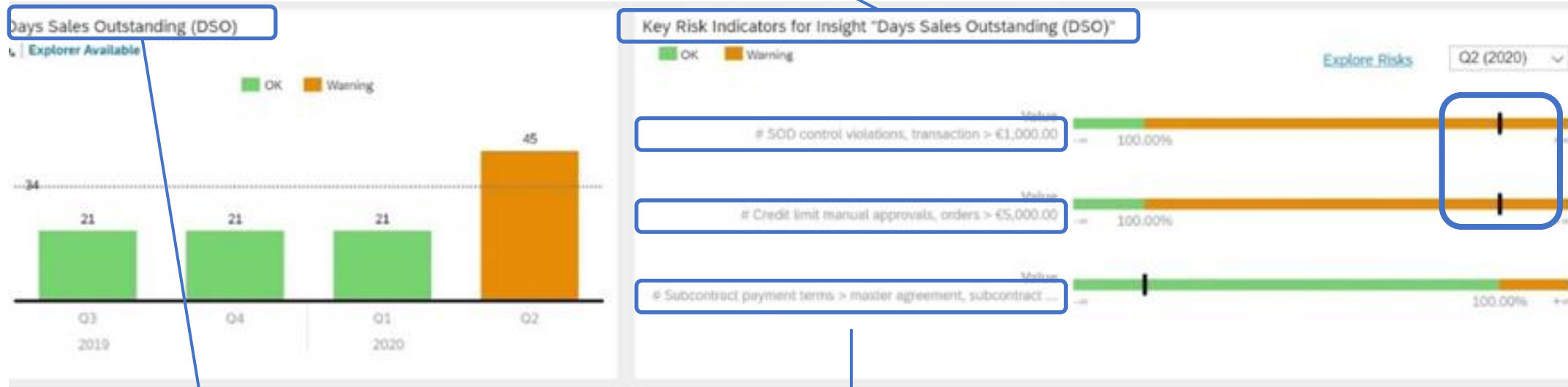
- Days Sales Outstanding is interpreted as the "days worth of (average) sales that you currently have outstanding".
- It can be thought of the size of the outstanding accounts receivable (legally enforceable claims for payment held by a business for goods supplied and/or services rendered that customers/clients have ordered but not paid for).
- A higher DSO ratio can indicate a customer base with credit problems and/or a company that is deficient in its collections activity. A low ratio may indicate the firm's credit policy is too rigorous, which may be hampering sales.

GRC Approach – Example 2: Days Sales Outstanding

Page 2 of 3

SAP Analytics
Cloud bespoke
demo on standard
SAP GRC data

Days Sales Outstanding



Days Sales Outstanding

- Quarterly tracking of ratio

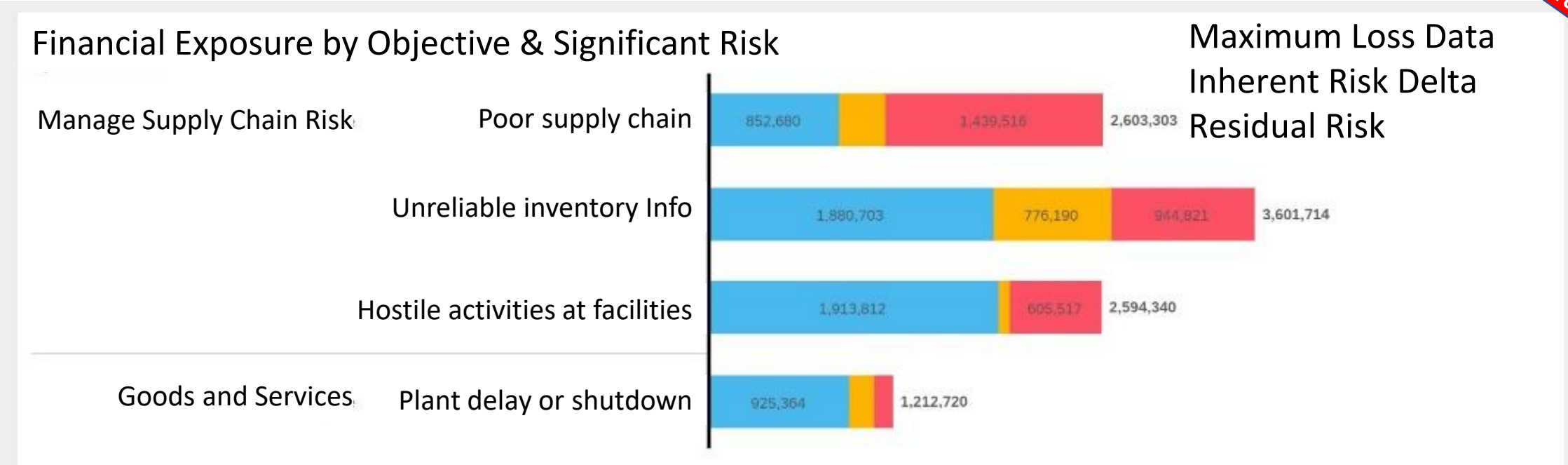
KRIs – Automated Procedures

- # SOD control violations, with transactions > € 1,000.00
- # Credit limit manual approvals, orders > € 5,000.00
- # Subcontract payment terms > Master agreement terms

GRC Approach – Example 3: Days Sales Outstanding

Page 3 of 3

SAP Analytics
Cloud bespoke
demo on standard
SAP GRC data



SAP GRC in the Public Cloud - Benefits

- Low total cost of ownership
- Simple infrastructure
- Short time to operationalize
- Smoother digitalization, finance/digital transformation
- Ease of use, intuitive user interface
- Standardised best practice approach
- Access to expanding consumable content
- Leverage SAP Business Technology Platform capabilities
- In line with SAP strategy, customer strategy
- Near-future potential – benefits from LLP and ML access to anonymised data



Risk and Control in a Single Public Cloud Solution

- Game changer for our customers
- Plan to release end November 2023
- First step in the journey
- Name for SAP Financial Compliance Management likely to change



Vision of SAP Financial Compliance Management

Next-generation GRC control & risk solution for the cloud

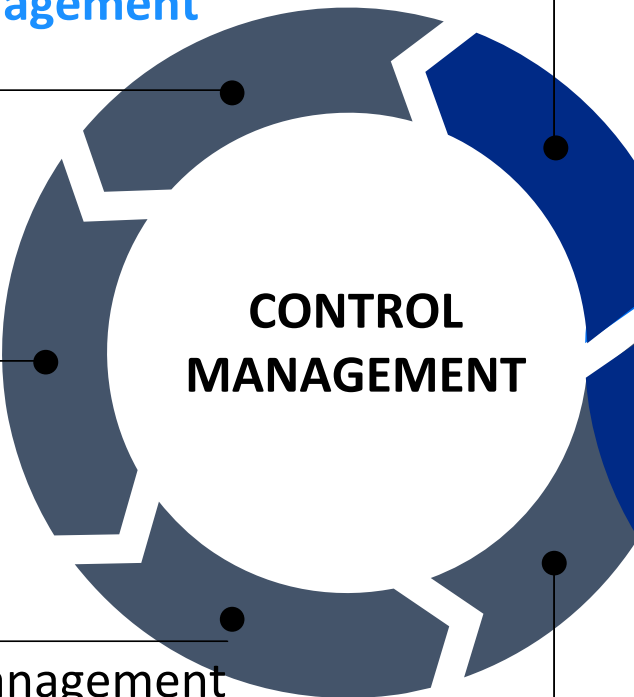
Risk-Based Control Management

Control Execution

Result Processing

Issue & Remediation Management

Compliance Reporting & Optimization



RISK
MANAGEMENT

Risk Monitoring

Risk Reporting

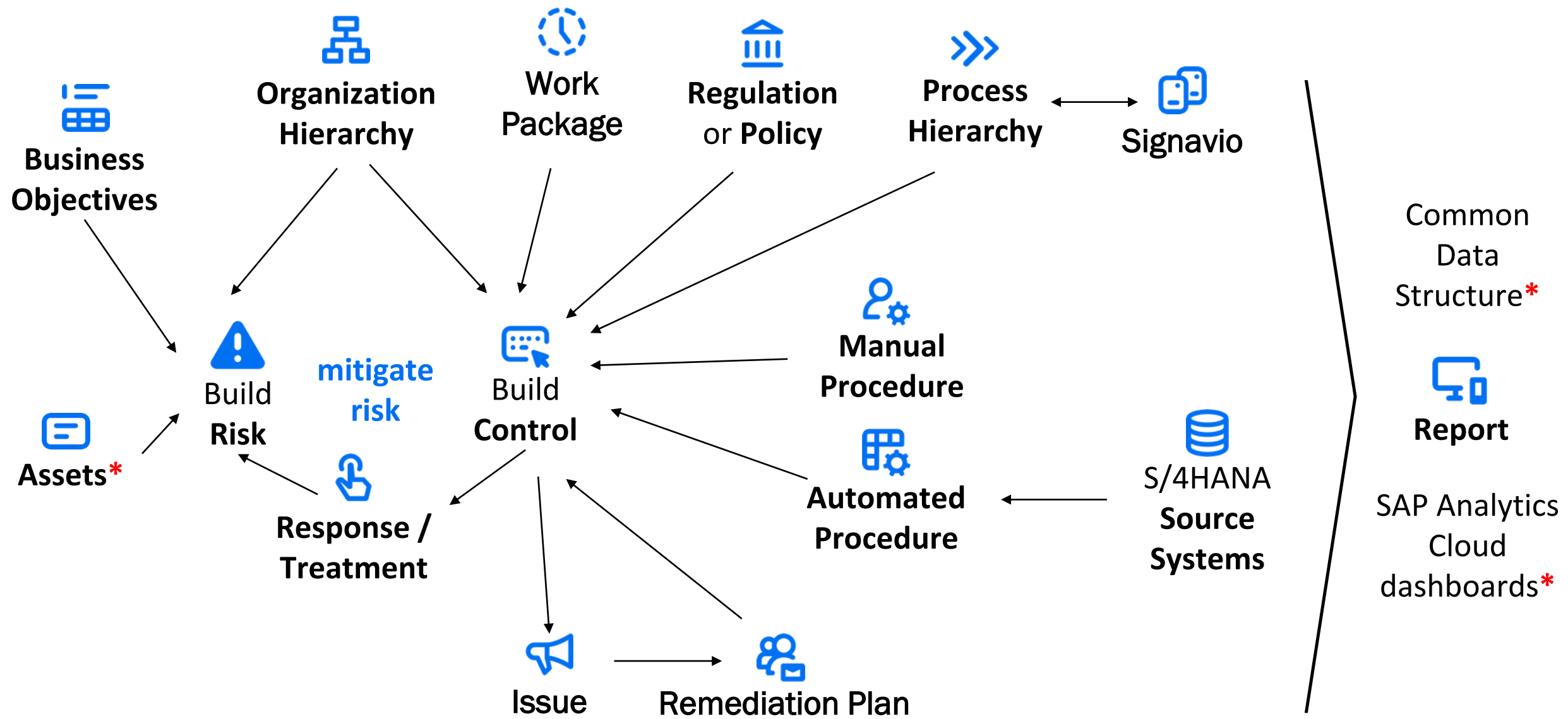
Risk Identification

Risk Assessment



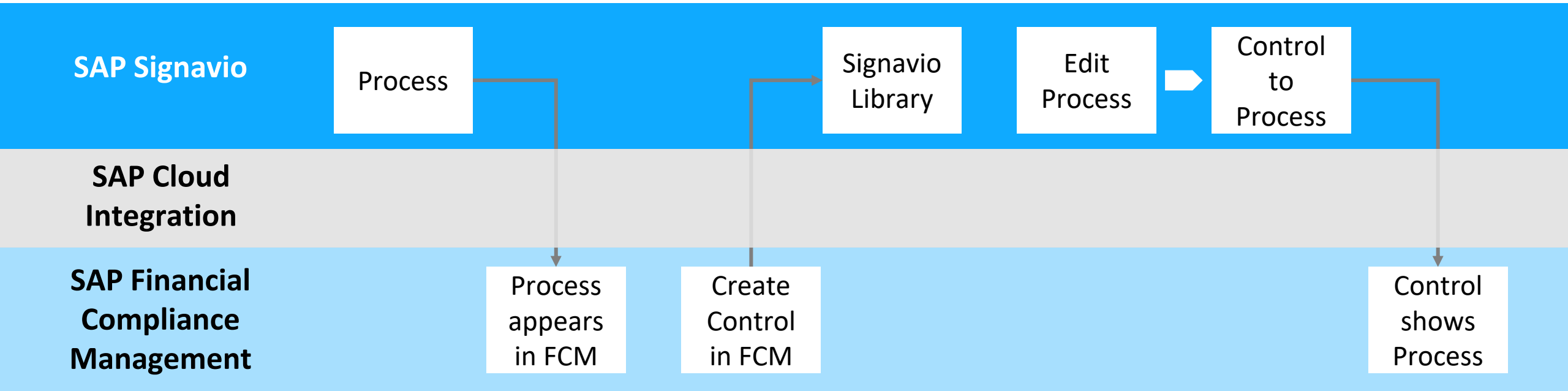
Control-Aware Risk Management

Objects in SAP Financial Compliance Management



* Planned 2024

Integration with SAP Signavio Process Manager



Business Risk



Sriracha hot sauce maker warns of shortage lasting through the summer

SHARE & SAVE —



CONSUMER

Sriracha hot sauce maker warns of shortage lasting through the summer

June 9, 2022

Droughts in Mexico

- Huy Fong Foods, maker of the popular Sriracha Hot Chili Sauce, said a shortage of chili peppers is limiting its ability to produce several of its in-demand sauces, including its Chili Garlic and Sambal Oelek. The California-based company cited climate conditions as part of the problem.
- "We are still endeavoring to resolve this issue that has been caused by several spiraling events, including unexpected crop failure from the spring chili harvest," Huy Fong Foods said in a statement to NBC News, adding: "We hope for a fruitful fall season and thank our customers for their patience and continued support during this difficult time."

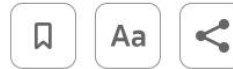
[Sriracha hot sauce maker warns of shortage lasting through the summer \(nbcnews.com\)](https://www.nbcnews.com/business/sriracha-hot-sauce-maker-warns-shortage-lasting-through-summer-12349876543)

Business Risk

Volkswagen cuts hours at main Wolfsburg plant over parts shortage

Reuters

September 4, 2023 12:00 PM GMT+1 · Updated 7 days ago




BERLIN, Sept 4 2023 (Reuters) - Volkswagen ([VOWG p.DE](https://www.volkswagenag.com/en/About_Volkswagen_Group.html)) is reducing work hours for employees at the German carmaker's main plant in Wolfsburg for three weeks in September due to a parts shortage caused by recent floods in Slovenia, a spokesperson for the company said on Monday.


List of Risks


SAP Labs, Final
Version will differ


< **SAP** Manage Risks ▾

Search In: "Apps" 

Standard ▾

1 filter active: Editing Status 

Risks (10) 

 Risk	Organizational Unit	Risk Category	Status	
<input type="checkbox"/> Transition away from water-stressed sources plan not met 12	SAP United Kingdom	ESG Compliance	Assessed	>
<input type="checkbox"/> Water usage transition reproduce from Leon 14	SAP United Kingdom	ESG Compliance	In Assessment	>
<input type="checkbox"/> Loss of personal data 1	SAP Deutschland	Privacy	In Definition	>
<input type="checkbox"/> Unauthorized access to personal data 6	SAP United Kingdom	Privacy	Assessed	>
<input type="checkbox"/> Test YK 16	Concur USA	Regulatory	In Definition	>
<input type="checkbox"/> Reduce suppliers in countries with poor record of child labour 15	SAP France	Regulatory	In Definition	>
<input type="checkbox"/> System failure due to virus 2	SAP America	Cybersecurity	In Definition	>
<input type="checkbox"/> Energy disruption 8	SAP France	Operational	In Assessment	>

Risk Documentation

SAP Labs, Final
Version will differ

Transition away from water-stressed sources plan not met

12

Created On: Apr 19, 2023, 2:36:14 PM
Created By: Neil Patrick
Changed On: Sep 8, 2023, 11:29:29 AM
Changed By: Neil Patrick

Last Assessed On: Sep 8, 2023, 11:29:29 AM
Last Assessed By: Neil Patrick

Status
Assessed

Total Loss
EUR

Inherent Risk3.00M
Residual Risk2.06M
Target Residual Risk500.00K

Expected Loss
EUR

Inherent Risk2.25M
Residual Risk1.04M
Target Residual Risk50.00K

Risk Level

Inherent Risk: High
Residual Risk: High
Target Residual Risk: Low

Header

General Information

Description

Roles

Causes

Impacts

Inherent Analysis

Treatment Plan

Summary

Comments

Attachments and Links

Name:
Transition away from water-stressed
sources plan not met

General Information

Org Unit:
SAP United Kingdom

Risk Category:
ESG Compliance

Causes (1)

Search

Cause	Category	Description
Dependency on specific goods and services for revenue	Process	Business and Operational Processes

Impacts

Impacts (1)

Search

Impact	Category	Description	Impact Value	Impact Level
Loss of revenue due to reduced supplies/sales	Financial	Direct Loss	3,000,000.00 EUR	Very High

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Treatment Plan with Control, Risk Summary

SAP Labs, Final
Version will differ

Treatment Plan					
Treatments (1)					
Type	Treatment Measure	Shared Response	Status	Likelihood Reduction	
Response	Reduction of suppliers in high-risk water source regions	No	In Process	65.00 %	>
Impact Reduction: 2,500,000.00 EUR					
Total Likelihood Reduction: 65.00 % Total Impact Reduction: 2,500,000.00 EUR					

Summary						
Analysis Result	Total Loss	Total Impact Level	Likelihood Value	Risk Level		
Inherent Risk	3,000,000.00 EUR	Very High	75.00 %	High		
Residual Risk	2,062,500.00 EUR	Very High	50.60 %	High		
Target Residual Risk	500,000.00 EUR	Moderate	10.00 %	Low		

Control Documentation with Automated Procedure

SAP Labs, Final
Version will differ

Reduction of high risk water-sourcing regions

22

Significance
Key

Control Risk Level
High

Show Editions

Export

General Information

Additional Information

Related Objects

Procedure Runs

Attachments and Links

Basic Information

Edit

Name:

Reduction of high risk water-sourcing regions

Validity Period:

Jan 1, 2023 - Dec 31, 9999

Control Group:

Environmental, Social, Governance

Significance:

Key

Control Risk Level:

High

Recommended Monitoring Frequency:

Quarterly

Control Owner:

Jessica Pearson (jpearson@demo.cloud.sap)

Procedures (2)

Add

Remove

Simulate

Create Ad-Hoc Work Package

<input type="checkbox"/>	Name	Type	Assurance Activity	System Type	Source Type	Defined/All Destinations
<input type="checkbox"/>	ESG Food & Beverage material sourced from high water risk region	Automated Procedure	Control Performance	SAP S/4HANA Cloud	OData Service	1/1
<input type="checkbox"/>	Test_22.08.2023	Manual Procedure	Control Effectiveness Test			

Automated Procedure Results from S/4HANA Cloud, both editions

SAP Labs, Final
Version will differ

ESG Food & Beverage material sourced from high water risk region

Parameters Found Items

Created On:
January 1, 2023...January 31, 2023

Country/Region Key:
CL *TR* *BH* *KW* *QA*

Found Items (12)

Purchase Order	Region	City	Country/Region Key	Postal Code	Street	Supplier	Company Code	Material	Net Order Value	↓
4500085317	VS	Chile	CL	1890000	Combarbala 779	CHSU_CP65	1010	MZ-RM-CHEM-ETHD	154,000.00	EUR
4500085329	VS	Chile	CL	1890000	Combarbala 779	CHSU_CP65	1710	MZ-RM-CHEM-ETHD	78,400.00	USD
4500085311	LL	Chile	CL	1890000	Combarbalá, Coquimbo 779	CHSU_CP85	1010	MZ-RM-CP-BESUG	22,400.00	EUR
4500085341	VS	Chile	CL	1890000	Combarbala 779	CHSU_CP65	3010	MZ-RM-CHEM-ETHD	19,950.00	AUD
4500085284	LL	Chile	CL	1890000	Combarbalá, Coquimbo 779	CHSU_CP85	1710	MZ-RM-CP-BESUG	12,600.00	USD
4500085409	34	Fatih	TR	34000	Yilmazlar Sk 11	TRSU-AU17	1010	MZ-RM-S400-07	11,560.00	EUR
4500085365	34	Fatih	TR	34000	Yilmazlar Sk 11	TRSU-AU17	1710	MZ-RM-S400-07	6,800.00	USD

Human Rights Due Diligence Example

SAP Labs, Final
Version will differ

Reduce suppliers in countries with poor record of child labour

15

Created On: Aug 16, 2023, 12:28:50 PM
Created By: Neil Patrick
Changed On: Aug 16, 2023, 1:51:56 PM
Changed By: Neil Patrick

In Definition Since: Aug 16, 2023, 12:28:50 PM
In Definition By: Neil Patrick

Status
In Definition

Total Loss
EUR

Inherent Risk4.50M

Residual Risk3.00M

Target Residual Risk2.00M

Expected Loss
EUR

Inherent Risk4.05M

Residual Risk1.44M

Target Residual Risk400.00K

Risk Level

Inherent Risk: Very High

Residual Risk: High

Target Residual Risk: Medium

Header

General Information

Description

Roles

Causes

Impacts

Inherent Analysis

Treatment Plan

Summary

Comments

Attachments and Links

Name:
Reduce suppliers in countries with poor record of child labour

General Information

Org Unit:
SAP France

Risk Category:
Regulatory

Check suppliers for low enforcement of child labour protection

62

Show Editions

Export

General Information

Additional Information

Related Objects

Procedure Runs

Attachments and Links

☐

Name

Type

Assurance Activity

System Type

Source Type

Defined/All Destinations

☐

Manual Action to Check a Control

Manual Procedure

Control Performance

☐

Suppliers in countries with poor record of human rights

Automated Procedure

Control Performance

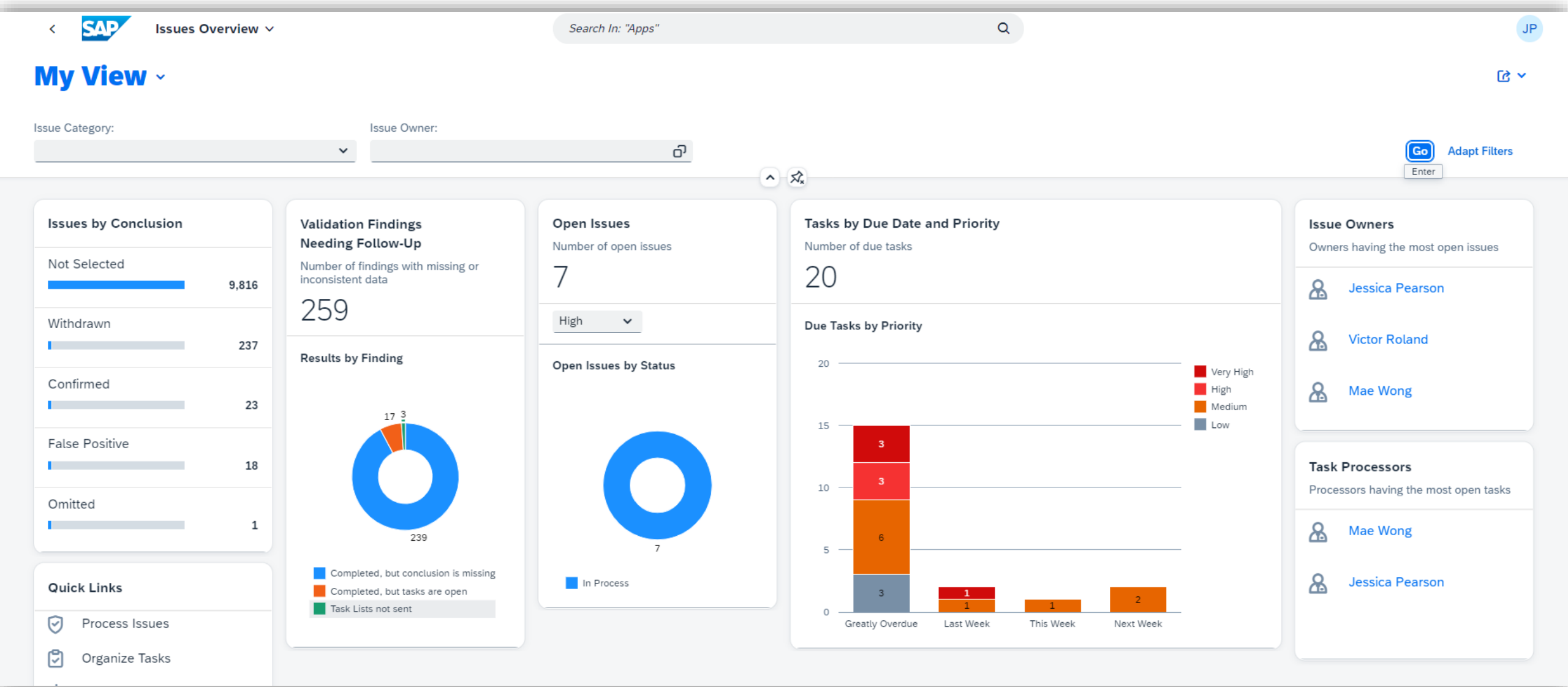
SAP S/4HANA Cloud

OData Service

0/1

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Issue and Remediation – Issue Overview Dashboard



Where we go from here

- Plan to put on SAP Store
- Use in Tax Compliance
- Use for IT application, HR, ESG
- Intention - integrate to other systems
- Ambitious roadmap for 2024
- Inclusion of AI topics
- Strategic solution for ESG risk and control management, SAP Sustainability



Where we go from here

Subject to change without notice

Q4-2023

- Email notification in Manual Procedures and IRM (Task Service)
- Automated Task Lists in IRM
- Additional Assurance Activity - include Surveys
- Extended documentation capabilities in issue and remediation management
- Advanced automation for creation of task lists in issue and remediation management
- Enhance Issue Grouping

Q1-2024

- Decision support for issues with machine learning
- Extended analytical and reporting capabilities: new aggregation layer of business data plus new reporting dashboards
- Strong AI features through 2024
- Inclusion of Asset object
- Preconfigured, internal control framework for medium-sized companies

Wrap up

- Low total cost of ownership
- Short time to operationalize
- Intuitive user interface
- Standardised best practice approach
- Leverage SAP Business Technology Platform capabilities
- In line with SAP strategy, customer strategy



Wrap up

- Effective risk and control management is a fundamental requirement for the modern business: for performance, not only risk and compliance
- Public cloud GRC software has real business benefits
- SAP is here to support customers looking for a public cloud risk and control solution with deep integration to SAP S/4HANA
- This journey is going to get stronger

Where to Find More Information

- List of [out the box controls](#) on help.sap.com
- SAP [FCM Administration Guide](#)
- SAP [FCM Setup Guide](#)
- Videos for [setup, subscription and user authorization](#)
- Short YouTube [intro to solution](#) video
- [Partner Edge](#) Test and Demo license: [search here](#) for Financial Compliance Management (material code 8013502)

FCM how-to YouTube Videos:

- [Create & Maintain Organizations, Processes and Regulations](#)
- [Create & Maintain Controls and Procedures](#)
- [Schedule Controls and Procedure Runs](#)
- [Review Control Results](#)

Key Points to Take Home

- You can provide assurance with a single public cloud risk and control solution from SAP
- It is integrated with SAP S/4HANA, and fully aligned with SAP's strategic vision
- The solution has ready to run content from SAP, and partners are creating content packs as well
- This single solution covers financial and non-financial risk, including fraud cases, ESG (and HRDD) and more
- It integrates with SAP's process modelling/mining solution Signavio. More integrations will follow.
- It is not a replacement to our existing and powerful three lines solutions, but another option.

Thank You! Any Questions?

Dr Neil Patrick

SAP Solution Management, GRC and Security

neil.patrick@sap.com

Please remember to complete
your session evaluation.

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