



IMPLEMENTING INTERNAL CONTROL – OVERCOMING THE PRACTICAL HURDLES

Challenge

HCM found complying with J-SOX/SOX regulations difficult: Internal control was typically audit driven, resulting in a heavy workload for internal staff and high external consulting/audit fees. Hitachi wanted to move to a business-driven system of internal control, supported (and where possible, automated) by world-class software to:

- Reduce internal control costs
- Improve process and control documentation

Solution

- Design new process for internal control, shifting workload from corporate departments to local business units
- Implement Governance, Risk & Compliance (GRC) Solution to perform tests and manage deficiencies, reporting and documentation

Benefits

- Costs reduced by 40 percent due to reuse of data, easier reporting and lower external consulting/audit fees
- Highly automated, business-driven internal control process
- Improved documentation quality



Headquartered in Japan, Hitachi Construction Machinery Co., Ltd. (HCM) is a leading international manufacturer of construction equipment. HCM Europe (NV), the subsidiary covering Europe, Africa, Russia and the Middle East, uses its engineering experience and advanced technology to develop and manufacture a wide range of leading-edge building industry machinery. Listed on the Tokyo Stock Exchange and the New York Stock Exchange, HCM complies with both J-SOX and SOX regulations.

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“ARIS has helped to bring us into the 21st century in terms of managing our business processes.”

Ron Hartman | Corporate Manager Control | Hitachi Construction Machinery Europe

Business Challenges

Although Hitachi was able to demonstrate compliance with J-SOX/SOX regulations, the cost of doing so was excessive. Internal control was typically audit driven, resulting in a heavy workload for internal staff and high external consulting/audit fees. The paper-based documentation was labor-intensive, difficult to report and virtually impossible to manage.

Hitachi's aim was to shift to a more business-driven system of internal control supported (and where possible automated) by world-class software. The challenge was to set up and implement a controlled, harmonized and integrated audit process that would enable both compliance with SOX and J-SOX and future process improvement initiatives.

Solution

To ensure J-SOX/SOX compliance for fiscal 2008, the project team updated the current business-process models based on the walk-through results and integrated the existing risk and control framework into the business processes. The team worked closely with Hitachi's readiness consultants, KPMG.

This was accompanied by design of the target process, which involved transferring responsibilities for risks, controls and design/execution efficiency from corporate departments (internal control/internal audit) to the business itself. Compliance officers were assigned to support process owners in their compliance activities (control design, testing, evidence gathering, etc.). The internal audit department closely monitored these activities, defined the test plans and sample size selections and reviewed the testing results. It also performed its own (random) testing activities and

recorded the results of both testing outcomes for the external auditor. Hitachi's internal control department acted as orchestrator for this process, which was fully supported by ARIS. The use of ARIS enabled all team members to cooperate with each other and execute their tasks, with monitoring functionality delivering insights into status/progress.

Actual implementation of the new process started with evaluation of a pilot process to test and fine-tune the solution. A role-based training suite was developed and more than 400 quick reference cards were distributed to all relevant employees. A simple update testing period of one month was used for full-scale rollout of the solution.

ARIS

ARIS Business Architect was implemented to model the business process and integrate the risk and control framework. ARIS Audit Manager (now ARIS Risk & Compliance Manager 3.1) was implemented to support audit planning, execution and monitoring. ARIS Business Publisher was deployed to publish business processes via the company intranet and share information with relevant users.

Customer Benefits

The Governance, Risk & Compliance Solution produced a host of benefits for Hitachi. Reuse of existing process documentation cut overall costs by 40 percent and communication and alignment effort was reduced through deployment of ARIS as the single point of truth. ARIS also enables the company to perform self-assessments and establish internal controls/audits. Reporting and monitoring activities have been significantly reduced.

Another benefit was quality improvement thanks to central administration and better interaction between IT, business unit managers, compliance officers, etc. The insights and impact analysis delivered by ARIS have also improved decision-making. Clear ownership combined with a uniform methodology and release procedure have enhanced governance and reduced overall enterprise risk.

KEY COMPONENTS

- ARIS Business Architect
- ARIS Audit Manager (now ARIS Risk & Compliance Manager 3.1)
- ARIS Business Publisher

ABOUT SOFTWARE AG

Software AG is the global leader in Business Process Excellence. Our 40 years of innovation include the invention of the first high-performance transactional database, Adabas; the first business process analysis platform, ARIS; and the first B2B server and SOA-based integration platform, webMethods.

We offer our customers end-to-end Business Process Management (BPM) solutions delivering low Total-Cost-of-Ownership and high ease of use. Our industry-leading brands, ARIS, webMethods, Adabas, Natural, CentraSite, Terracotta and IDS Scheer Consulting, represent a unique portfolio encompassing: process strategy, design, integration and control; SOA-based integration and data management; process-driven SAP implementation; and strategic process consulting and services.

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