GRC Summit

GRC

Governance
Risk Management
Compliance

National Survey
2019

CRMS INDONESIA
Membangun Indonesia Dengan GRC

KNKG

PaGI

IRMAPA

ICoPI
Institute of Compliance
Professional Indonesia

Foreword

I would like to welcome you to this premiere issue of the result of GRC Survey Indonesia 2019. The survey is designed to capture the current stage of understanding, aspirations and practices of GRC across industries and would be conducted once per year to help industries figure out the trend, developments, and challenges in practicing integrated GRC towards sustainability.

The survey was conducted with more than 360 respondents which produces some interesting results with three key findings:

• Being mature in every GRC component, does not necessarily mean that particular organization has the capability to integrate those functions.
• As we are now in hyper-connected world, integrated GRC is considered as somewhat a solution both in the near and for future.
• The most comments and/or expectations are 'how siloed business processes can be synchronized effectively through integrated GRC upon which sustainability can be achieved.

We hope this survey useful for corporate board members as it could give some insights on the challenges forward and stimulate them to embrace better and more effective integrated GRC practices.

We also thank you for all respondents who made this survey successfully completed and wish the same continued support for the next year GRC Survey 2020.

Warm regards,

Dr. Antonius Alijoyo, ERMCP, CERG

Board of Indonesia National Committee on Governance Indonesia (KNKG)
Board of Governance Professionals Indonesia (PaGI)
Chair of Indonesia Risk Management Professionals Association (IRMAPA)
Chair of The Institute of Compliance Professionals Indonesia (ICoPI)
Chair of Center for Risk Management Studies Indonesia (CRMS)

Contents

Sustaining Through
GRC

Every organization does GRC whether intentionally planned or not. All have some approaches to governing the organization, managing risks, and addressing compliance. These three functions of GRC, however, are often done scattered in silos without an appropriate amount of interconnection among the three components. Organizations should not be asking how to do governance, risk management and compliance but are to ask how to integrate those three functions into one concept as a whole and how to implement it effectively in the organization.

Governance, risk, and compliance (GRC) is defined as an integrated approach in which the three functions work together cohesively in order to ensure organizational objectives are achieved. Practically, each of them is an imperative concept and has its own roles and functions toward the sustainability of an organization. Nonetheless, if the three components were executed in isolation – as organizational scope keep on expanding and becomes more complex – it may create detrimental impacts in the near future.

In practice, there are still lots of organizations doing GRC activities with silo mentality; therefore, it ultimately creates redundancies and gaps between the interrelated risks in various business processes within an enterprise. Consequently, organization often dealing with processes with a high level of inefficiency, ineffectiveness, and lack of agility.

Understanding the three components as a whole and an integrated function will increase organizational capacity and capability through the optimization of processes, human resources, and technology. Notwithstanding, not all organizations in Indonesia realize the importance of integrating each component of GRC. One of the reasons is simply because there is still no concept, framework and guidelines clear enough for them to apply it effectively.

In consideration of the foregoing, CRMS Indonesia conducted 2019 GRC National Survey which objective is to know the awareness and perception of organizations in Indonesia toward integrated GRC as well as whether they have already started to integrate them.

Particularly in this fast-changing world of digitalization, the execution of integrated GRC will be a determining factor which significantly support organization to create, protect, and enhance value.

About The
Survey

CRMS Indonesia administered the GRC National Survey in **early April until the end of June 2019**. It received a total of **366 valid submissions** through data collecting methods of physical and online questionnaires distributed via email. Survey respondents consist of a mix of professionals represented a wide-array of organization types, sizes and industries in Indonesia.

Industry

	Frequency
Financial services industry and insurance	148
Transportation and Warehousing	46
Education	25
Professionals, scientific, and technical services	21
Manufacturing and process industries (non-computer)	21
Health care industry	19
Mining and Quarrying	19
Public administration and defense; compulsory social security	13
Renting and leasing, outsourcing services, and travel agency	12
Energy industry / Electrical power / Petroleum / Gas/ Coal / Nuclear power / Renewable energy industry	8
Construction / Architecture	7
Agriculture / Timber / Fishing industry	6
Property / Real Estate	6
Accommodation and food services	4
Online retailer / E-commerce	3
Retail / Distribution / Repair services automobile	3
Other	3
Information and communication	2
Total	**366**

Survey
Components

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Survey respondents were asked **9 questions** upon which the circumstances, perception, and development of the implementation of integrated GRC in Indonesia were drawn.
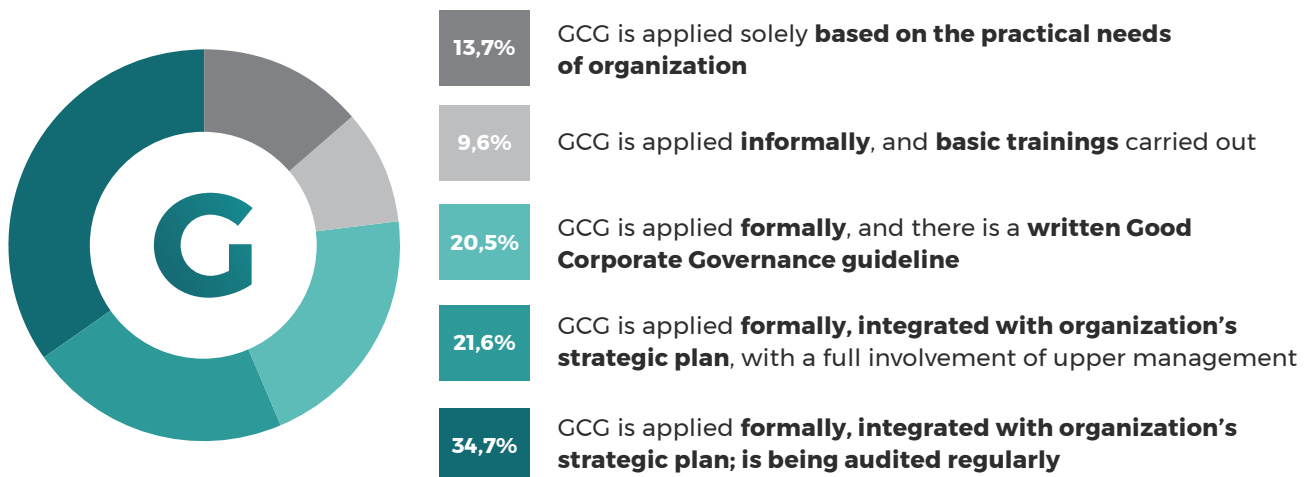
1. Which of the following best describes your organization's state of Good Corporate Governance (GCG) implementation?

2. Does your organization have performance appraisals for Board of Commissioner (BoC)?

3. Which of the following best describes your organization's implementation of Enterprise Risk Management (ERM)?

4. Which of the following best describes your organization's implementation of Compliance Management?

5. Has your organization implemented a whistle blowing system?

6. Which of the following statements best describes your organization's state of integration of GRC capabilities?

7. What is the two greatest barriers to integrate GRC in your organization?

8. Who in your organization is responsible for leading an integrated GRC strategy?

9. Does integrated GRC considered as an important factor and should be implemented in your organization effective immediately?

Maturity Level
of The Three
GRC Components

Good Corporate Governance Practices in Indonesia

Before the integrating process starts, it is necessary to comprehend and be mature in every GRC components. The first component in this survey indicates the Good Corporate Governance (GCG) maturity level in organization. **Thirty-five percent organizations responding assert their GCG practices are applied formally and integrated with organizational strategic plan while being audited regularly**; 21.6% state GCG is also applied formally and integrated, although there is no formal audit to its implementation. Moreover, there are some organization do governance in informal manner (9.6%), while 13.7% are governing their organization merely based on the organization practical needs.
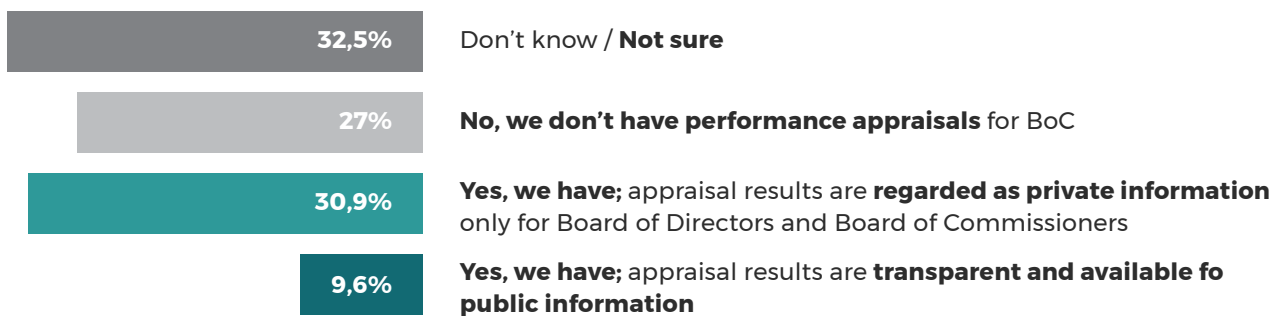
"A larger proportion of this survey respondents do governance rather formally and are integrated with organizational strategic plans with a full involvement of organization leaders, which also regularly audited."

13,7% GCG is applied solely **based on the practical needs of organization**

9,6% GCG is applied **informally**, and **basic trainings** carried out

20,5% GCG is applied **formally**, and there is a **written Good Corporate Governance guideline**

21,6% GCG is applied **formally, integrated with organization's strategic plan**, with a full involvement of upper management

34,7% GCG is applied **formally, integrated with organization's strategic plan; is being audited regularly**

Board of Commisioners' Performance Assessment

Based on the preceding result, GCG practices in Indonesia are arguably in a good level of maturity. This statement is supported by the fact that **30.9% of total respondents indicate their organization has been conducting the performance appraisals for board of commissioners, which results are regarded as private information and available only for internal top management.** On the flip-side of this, however, most of them (32.5%) are unaware or unsure in regards to this particular matter. While the rest of the respondents answered the board of commissioners' performance assessment has not yet been done in the organization.

"The performance evaluation of the duties and responsibilities of board of commissioners has been carried out by most respondents' organization. However, only a small proportion of the results are publicly accessible."

32,5%   Don't know / **Not sure**

27%   **No, we don't have performance appraisals** for BoC

30,9%   **Yes, we have;** appraisal results are **regarded as private information** only for Board of Directors and Board of Commissioners

9,6%   **Yes, we have;** appraisal results are **transparent and available fo public information**

Implementation of Risk Management in Indonesia

The second component of this GRC survey is the maturity level of risk management implementation in Indonesia. Across all respondents, **over one-third (31.7%) state risk management is being optimally implemented** in which formally standardized with its principles and processes are being integrated in the overall business and decision-making processes, while being audited regularly. Twenty-two percent of the respondents report they have a supervised and monitored risk management implementation with a full involvement from upper management. Yet, 9.8% answered they are still in managing their risks intuitively.

"The majority survey respondents' organization manages risks through formal and standardized risk management processes and are regularly monitored and audited."

9,8% Risk management is applied based on **intuition**

15,8% Risk management is **informally** regulated, and **few basic trainings carried out**

20,2% Risk management has been formally **standardized**, and there is a **written official risk management guideline**

22,4% **Supervised and monitored** risk management implementation, with a **full involvement of upper management**

31,7% Risk management is **formally standardized** which **principles and processes are integrated** in the business and decision-making process; is being **audited regularly**

Compliance Management in Indonesia

The third component is the maturity level of compliance management implementation in the organization. **Most respondents (30.1%) state their organizations have been doing compliance management in a formal and standardized manner while being audited regularly.** Followed by 20.2% that apply the compliance management formally based on agreed-upon compliance guidelines. Furthermore, 26% of the respondents indicate their organization executes compliance management solely based on the practical needs of the organization, while the other 10.4% does not have a compliance management system in the organization.

"One-third of total respondents have adopted a standardized compliance management system and are formally implemented in their organization."

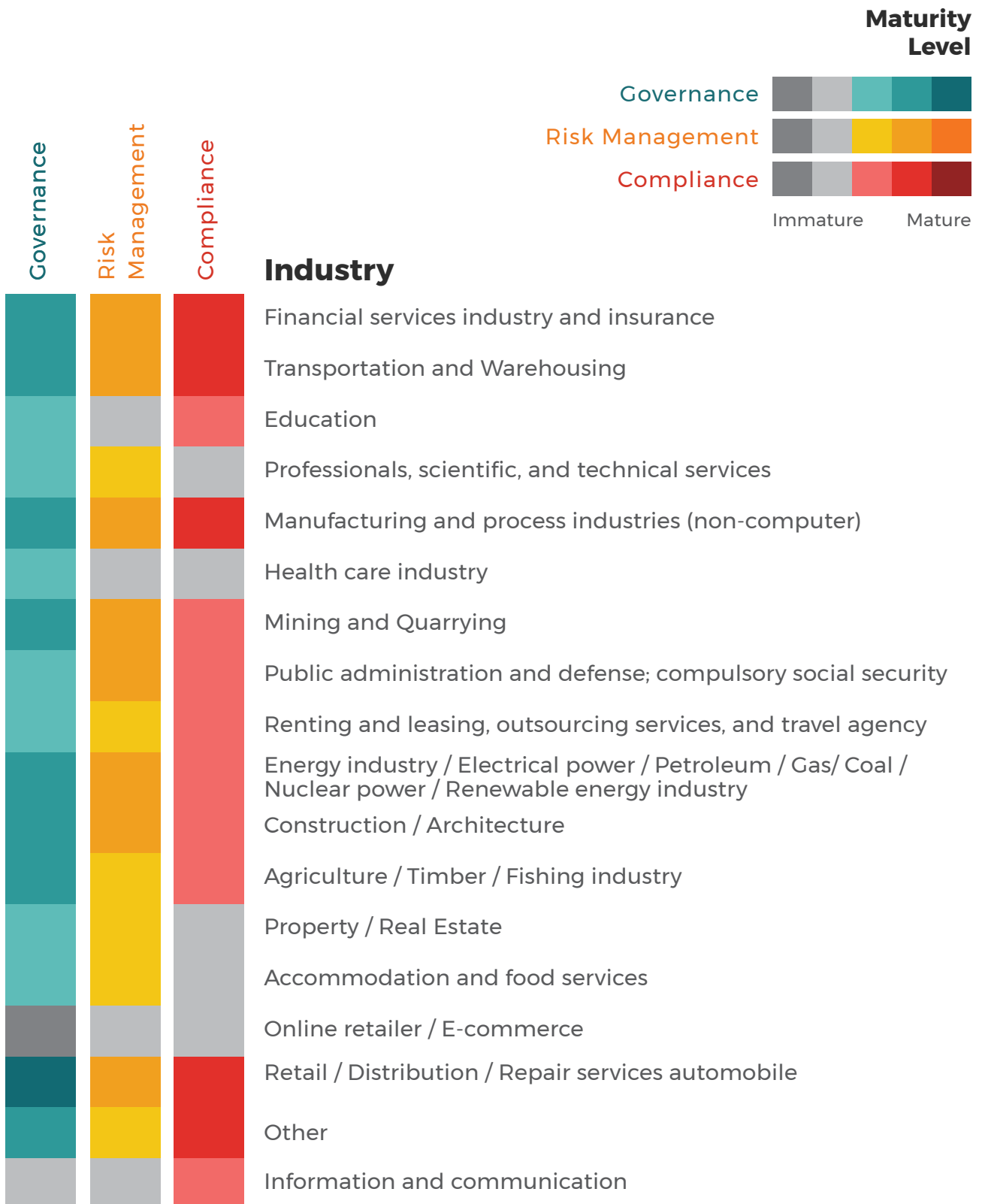|	
10,4%	**No** compliance management system available
26%	Compliance management is applied solely **based on the practical needs** of organization
20,2%	Compliance management is **applied formally**, and there is a **written Compliance Management guideline**
13,4%	Compliance Management is applied **formally and standardized**
30,1%	Compliance Management is applied **formally, standardized**, and being **audited regularly**

Application of the Whistle Blowing System

One of the efforts in managing compliance is by implementing Whistle Blowing System (WBS) which serves as a channel of reporting or informing violation of rules, regulations, codes of conduct, and policies that exist in an organization. **Out of 366 respondents, 317 affirm this particular system has been applied in their organization.** This includes 46.7% which monitoring of WBS is done by internal party; 32% that report they have WBS but without any monitoring procedures; and a small proportion of 7.9% that have its WBS monitored by an independent external party.

"Most respondents implement Whistle Blowing System as part of their attempt to manage organizational compliance in which its monitoring is mostly done by internal party in their organization."

4,9% Don't know / **Not sure**

8,5% **Has not been applied**

32% **Has been applied;** however, there is **no monitoring** for the effectiveness

46,7% **Has been applied,** and there is an **internal monitoring for the effectiveness**

7,9% **Has been applied**, and there is a **monitoring for the effectiveness** done by an **independent external party**
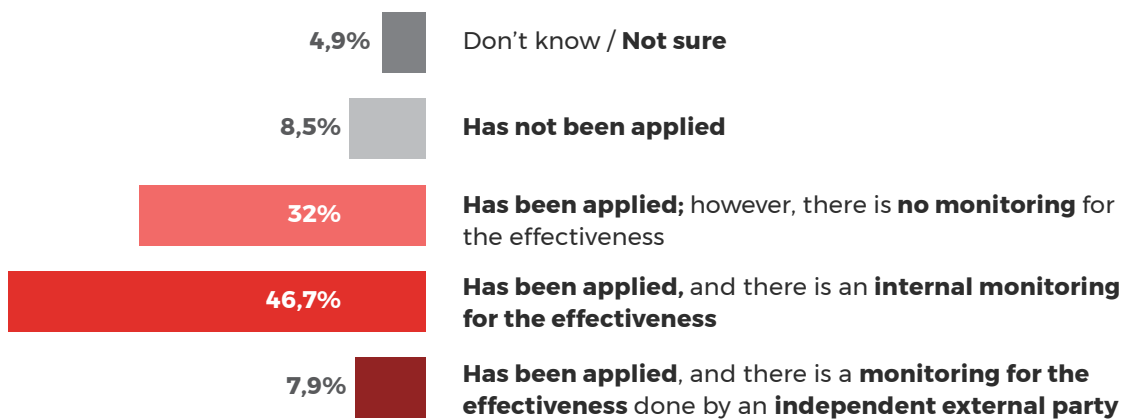
Maturity Level of The
Three GRC Components
in Every Industry

Maturity Level

Governance

Risk Management

Compliance

Immature   Mature

Governance

Risk Management

Compliance

Industry

Financial services industry and insurance

Transportation and Warehousing

Education

Professionals, scientific, and technical services

Manufacturing and process industries (non-computer)

Health care industry

Mining and Quarrying

Public administration and defense; compulsory social security

Renting and leasing, outsourcing services, and travel agency

Energy industry / Electrical power / Petroleum / Gas/ Coal /
Nuclear power / Renewable energy industry

Construction / Architecture

Agriculture / Timber / Fishing industry

Property / Real Estate

Accommodation and food services

Online retailer / E-commerce

Retail / Distribution / Repair services automobile

Other

Information and communication

Maturity Level of The Three GRC Components

Governance

GCG is applied solely **based on the practical needs of organization**

GCG is applied **informally**, and **basic trainings** carried out

GCG is applied **formally**, and there is a **written Good Corporate Governance guideline**

GCG is applied **formally, integrated with organization's strategic plan**, with a full involvement of upper management

GCG is applied **formally, integrated with organization's strategic plan; is being audited regularly**

Risk Management

Risk management is applied based on **intuition**

Risk management is **informally** regulated, and **few basic trainings carried out**

Risk management has been formally **standardized**, and there is a **written official risk management guideline**

Supervised and monitored risk management implementation, with a **full involvement of upper management**

Risk management is **formally standardized** which **principles and processes are integrated** in the business and decision-making process; is being **audited regularly**

Compliance

No compliance management system available

Compliance management is applied solely **based on the practical needs** of organization

Compliance management is **applied formally**, and there is a **written Compliance Management guideline**

Compliance Management is applied **formally and standardized**

Compliance Management is applied **formally, standardized**, and being **audited regularly**
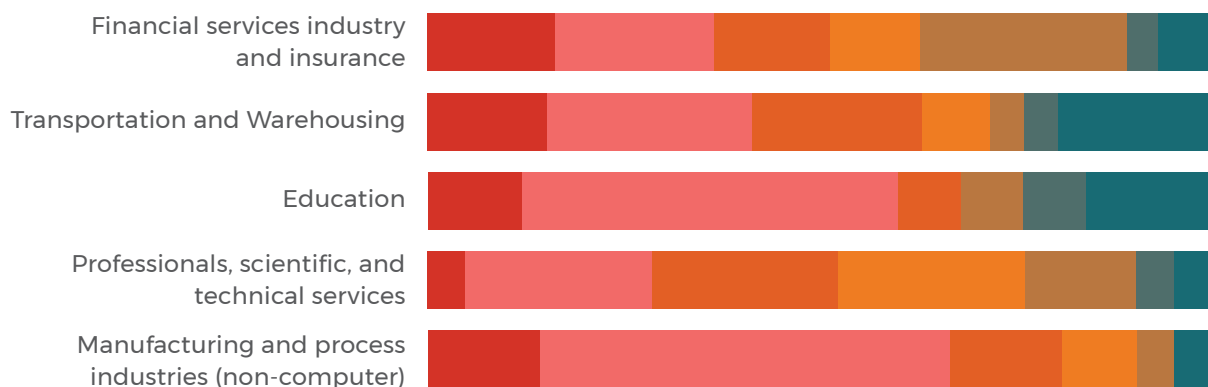
Perspective Towards
Integrated GRC

Integrated GRC Practices in Indonesia

The survey result shows that 25.7% of respondents have not made any efforts to integrate GRC in their organization. Nevertheless, **more than half of them (58%) have attempted to integrate GRC** – 14.8% are in the initial stage; 16.4% are in the middle of development stage; 17.5% have already started to integrate GRC; and a small proportion of 9.3% have the integrated GRC applied rather effectively throughout the enterprise.

"Most respondents' organizations are in the early to middle stages of GRC integration process."

11,5%	Unaware or **unsure**
25,7%	**Have not made GRC integration effort**
4,9%	**Standardized** some processes and vocabulary, but **not integrated yet.**
14,8%	Will apply or just in **the initial stage**
16,4%	Currently in the **development stage** of an integrated GRC system
17,5%	Already **started to apply** GRC integration
9,3%	Already **applying integrated GRC towards business processes and decision making** as well as overall technological capabilities.

Trivia: *Top 5 Industries in Integrated GRC*

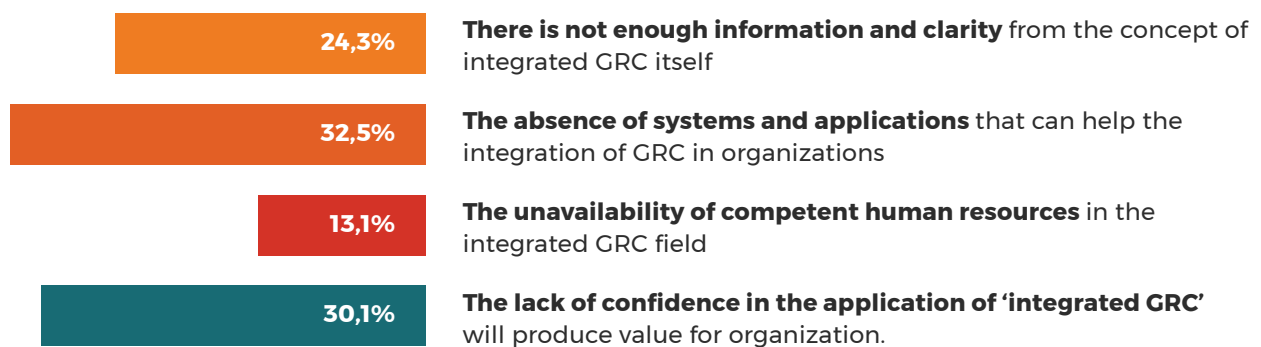|	
Financial services industry and insurance	
Transportation and Warehousing	
Education	
Professionals, scientific, and technical services	
Manufacturing and process industries (non-computer)	

The Biggest Challenge in Implementing Integrated GRC

Implementing integrated GRC is undoubtedly a challenging strategic initiative. **The most challenge felt by the majority (32.5%) of respondents is the absence of systems and applications that can help the process of GRC integration in organizations.** The subsequent biggest challenge is the lack of assurance while integrating them which predominantly due to a belief that the application of integrated GRC does not necessarily add value to the organization (30.1%), and the lack of information regarding the concept of integrating GRC itself is also considered as a barrier to integrate GRC (24.3%).
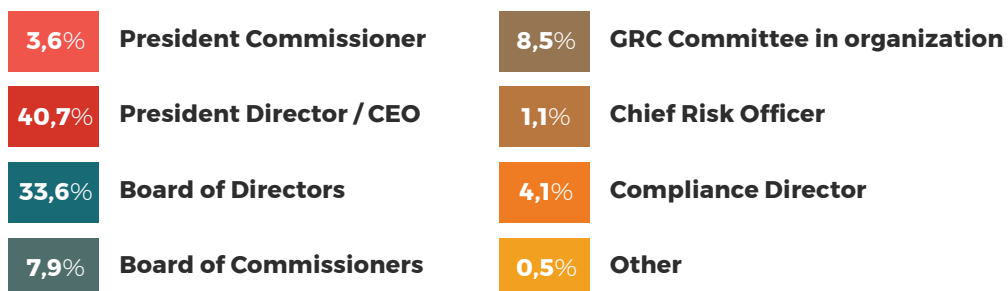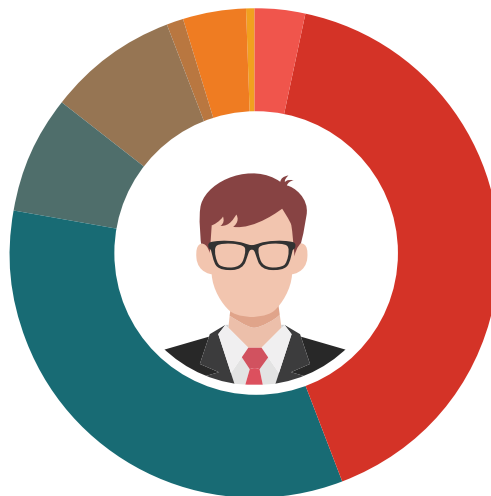
Trivia: *A small number of respondents also felt unconfident with the commitment from the top leadership of the organization.*

24,3%	**There is not enough information and clarity** from the concept of integrated GRC itself
32,5%	**The absence of systems and applications** that can help the integration of GRC in organizations
13,1%	**The unavailability of competent human resources** in the integrated GRC field
30,1%	**The lack of confidence in the application of 'integrated GRC'** will produce value for organization.

Who is responsible for leading an integrated GRC strategy?

When asked who should be responsible for integrating GRC, the most common answer is the President Director (40.7%) in organizations. As the leader of the organization, **the president director has the function to aggregate a range of risks across the organization**, including its compliance management aspects, that influences strategy and objectives. Meanwhile, 33.6% indicate the board of directors – without any specification of which directors – are the party responsible for GRC integration process. Conclusively, board of directors are perceived to be an ideal role to provide leadership and commitment both to start and to ensure the GRC integration processes throughout the organization.

"Board of Directors, as the leader of organization,
has the role to determine the strategic steps and
carry out the GRC integration process."

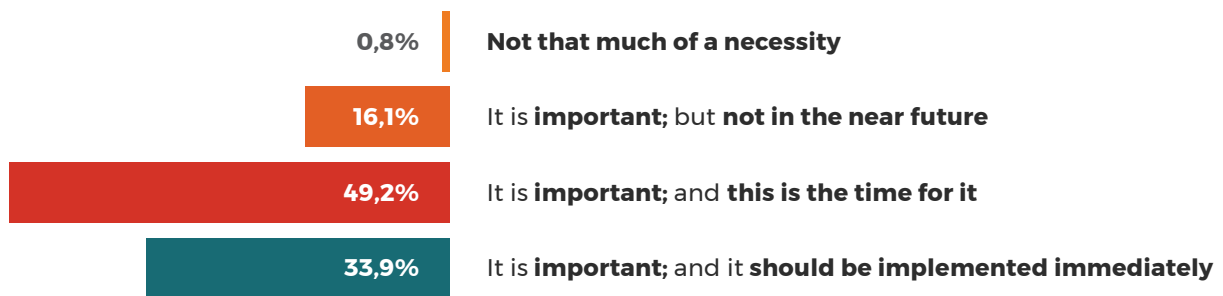|			
3,6%	President Commissioner	**8,5**%	GRC Committee in organization
40,7%	President Director / CEO	**1,1**%	Chief Risk Officer
33,6%	Board of Directors	**4,1**%	Compliance Director
7,9%	Board of Commissioners	**0,5**%	Other

Integrated GRC Perception

In accordance with the main objective of this survey, the last question covers the perception of organizations in Indonesia towards the urgency of implementing integrated GRC. **The vast majority of 366 respondents, as many as 363, thought that integration of GRC is crucial.** Most (49.2%) state it is important and now is the time to apply it; 16.1% find integrated GRC is important, but not in the near future; and 33.9% indicate integrated GRC is important for the organization and need to be implemented effective immediately.
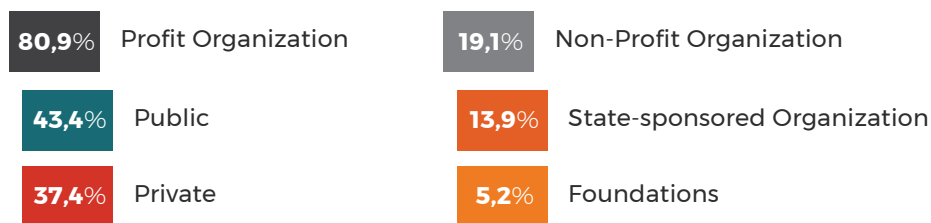
"Organizations in Indonesia understand about the importance of the application of integrated GRC; however, they seemingly remain unsure regarding the method to reach there."

0,8% | Not that much of a necessity

16,1% | It is **important;** but **not in the near future**

49,2% | It is **important;** and **this is the time for it**

33,9% | It is **important;** and it **should be implemented immediately**
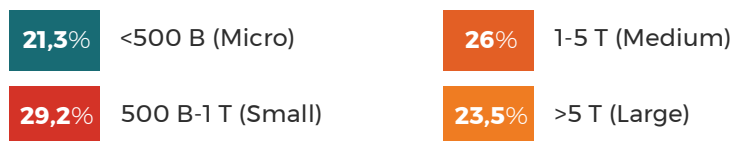
GRC National Survey 2019

The main goal of this 2019 GRC National Survey report is to give a brief summary and a general picture of the awareness level of organizations toward the application of the integrated GRC in organizational context in Indonesia. In addition, this survey also represented a range of organization types, sizes, and industries in Indonesia.
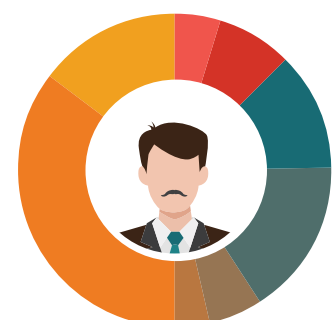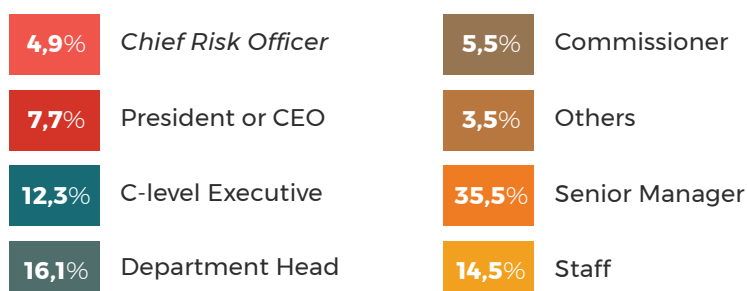
Organization Type

80,9%	Profit Organization	**19,1**%	Non-Profit Organization
43,4%	Public	**13,9**%	State-sponsored Organization
37,4%	Private	**5,2**%	Foundations

Organization Assets (in IDR, land and buildings are excluded)

21,3%	<500 B (Micro)	**26**%	1-5 T (Medium)
29,2%	500 B-1 T (Small)	**23,5**%	>5 T (Large)

Job Title

4,9%	*Chief Risk Officer*	**5,5**%	Commissioner
7,7%	President or CEO	**3,5**%	Others
12,3%	C-level Executive	**35,5**%	Senior Manager
16,1%	Department Head	**14,5**%	Staff

Thank You!

360+

Respondents of
GRC National Survey 2019

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Integrated GRC