SAP Ariba /\/\

Feature at a Glance
Residual Risk Enhancements

Target GA: August 2022

PUBLIC

THE BEST RUN **SAP**

Feature at a Glance
Introducing: **Residual Risk Enhancements**

Customer challenge

As corporations evolve to meet and stay ahead of the needs of their industry and regulatory bodies, the way in which they measure, determine, and report the effectiveness of their control portfolio needs to evolve too. Both the modern controller and procurement leader need to understand how the due diligence practices at their organization are impacting their strategic relationship with their suppliers.

Current implementation of Inherent and Residual Risk provides a view of overall risk of the engagement. However, there is no provision to understand the risk across the different risk domains and at a vendor level. Risk professionals need to identify risk areas or domains easily to accurately understand the risk portfolio of a specific engagement.

Meet that challenge with
SAP Ariba

This group of features allows customers to:

- control the effectiveness level method for calculating residual risk for each risk domain represented in an engagement.

- evaluate residual risk ratings for the domains represented in an engagement, calculated based on control effectiveness levels or control-related issues, to determine an engagement-level residual risk rating.

- evaluate engagement-level inherent and residual risk values to determine overall supplier-level risk ratings, with visibility into risk domains.

- use the residual risk ratings calculated from issues associated with a control to arrive at a residual risk for the corresponding risk domain.

Experience key benefits

Residual Risk is best categorized as an output of the effectiveness of an organization's controls against the identified inherent risks of an engagement. By identifying potential control breaches as part of the initial calculation of inherent risk, controllers can easily target their due diligence assessments with an incumbent vendor.

Aggregated risk domain ratings will then influence the applicable Engagement Risk projects , driving the calculation of the project's engagement level residual risk rating.

Solution area

SAP Ariba Risk

Implementation information

This feature is ready for immediate use for all customers with the applicable solutions but requires **customer enablement** steps.

Prerequisites and Restrictions

See following detailed slides, plus documentation for more information.

Feature at a Glance

Introducing: **Residual Risk Enhancements**
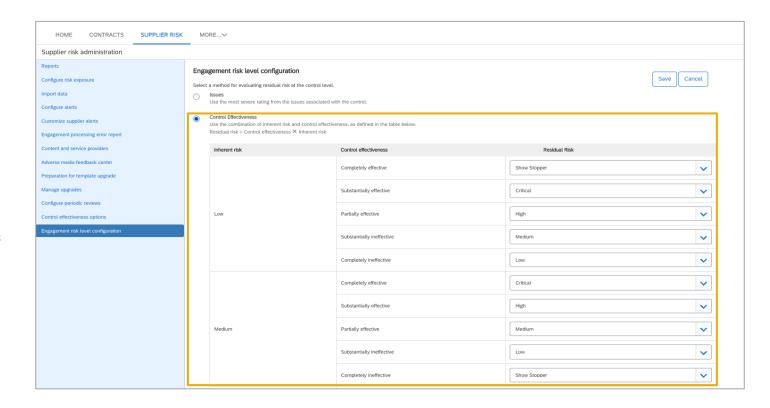
Configuration Options (as of 2208)

There are several configuration options available to customers with this package of features.

1. Customers can choose from the following residual risk configurations:

   a) based on control effectiveness (ARI-11569) *or*

   b) based on issues (ARI-15805) *or*

   c) they can continue to use the risk product as-is

2. If a customer has chosen *options 1a or 1b* of the above, customers have the additional option to enable calculating residual risk at the engagement level using domain values (ARI-15755).

   a) If engagement level residual risk (ARI-15755) has been enabled, customers have the further option to enable calculating supplier level inherent and residual risk from risk domain values (ARI-15804).
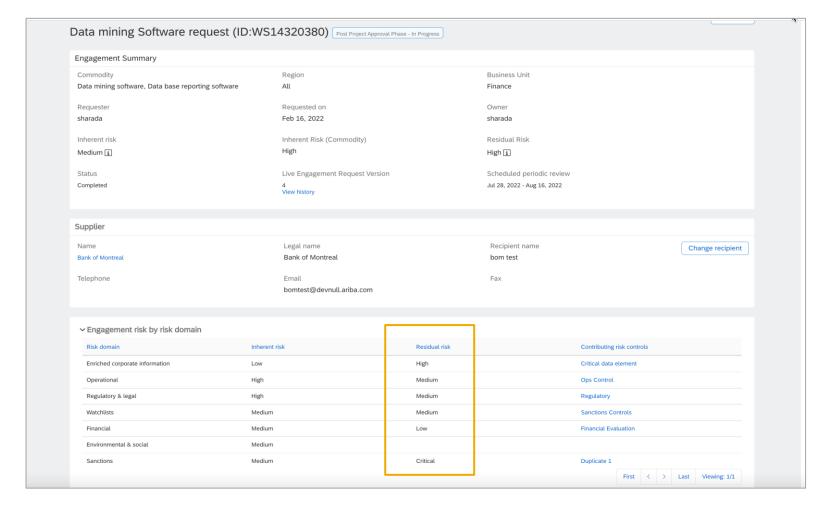
Feature at a Glance

ARI-11569: Ability to Use Control Effectiveness Levels to Calculate Residual Risk by Risk Domain

- Administrators can select control effectiveness as a method for calculating residual risk for each risk domain represented in an engagement

- When this feature is enabled, the engagement risk level configuration page in the SAP Ariba Supplier Risk shows the control effectiveness option for calculating residual risk.

- Administrators can use the combination of inherent risk and control effectiveness to drive the residual risk calculation.

Feature at a Glance

ARI-11569: Ability to Use Control Effectiveness Levels to Calculate Residual Risk by Risk Domain

Based on the configuration set by the Risk Administrator, the Residual risk values are calculated per risk domain

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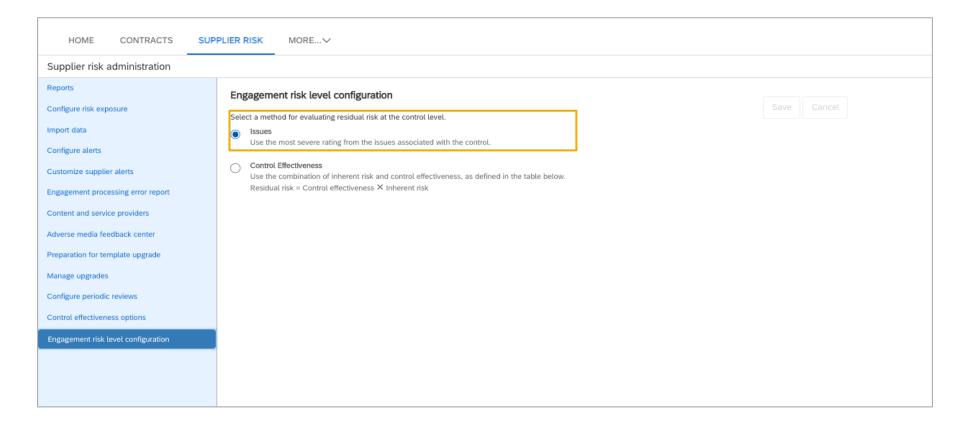
Prerequisites

- Site must be configured for use of control-based engagement risk assessment projects.
- Each risk control you want to use in the control-effectiveness-based residual risk calculation must be assigned a risk domain.
- Inherent risk scoring by domain must be set up.

Restrictions

- If you switch from one residual risk calculation method to the other, any existing residual risk values for controls and risk domains are not automatically recalculated.
- Other activities that trigger residual risk calculation, such as a new issue or a new control review decision, would cause recalculation of that control's residual risk using the newly selected calculation method.

Feature at a Glance

ARI-15805: Allow Using Control-Related Issues to Calculate Residual Risk by Risk Domain

You can use the residual risk ratings calculated from issues associated with a control to arrive at a residual risk for the corresponding risk domain.

ARI-15805: Allow Using Control-Related Issues to Calculate Residual Risk by Risk Domain
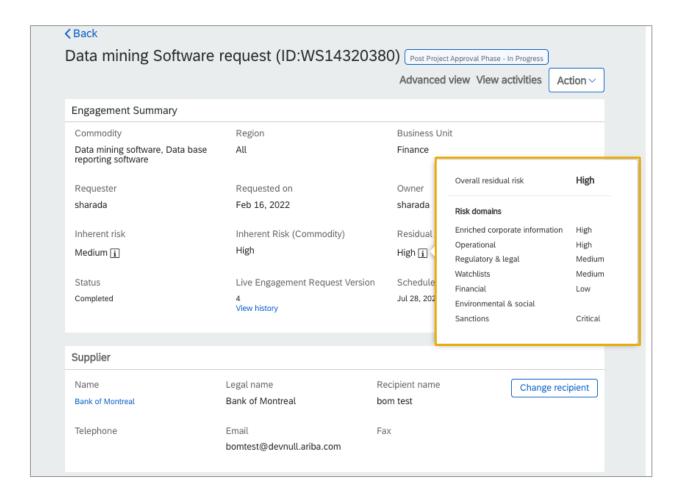
Prerequisites

- Site must be configured for use of control-based engagement risk assessment projects.
- Each risk control you want to use in the issues-based residual risk calculation must be assigned a risk domain.

Restrictions

- If you switch from one residual risk calculation method to the other, any existing residual risk values for controls and risk domains are not automatically recalculated.
- Other activities that trigger residual risk calculation, such as a new issue or a new control review decision, would cause recalculation of that control's residual risk using the newly selected calculation method.

Feature at a Glance

ARI-15755: Calculate Engagement-Level Residual Risk from Risk Domain Values

- Evaluation of residual risk ratings for the domains represented in an engagement, calculated based on control effectiveness levels or control-related issues, to determine an engagement-level residual risk rating.

- The Residual Risk field shows the maximum residual risk value calculated for a risk domain associated with the engagement.

Feature at a Glance

ARI-15755: Calculate Engagement-Level Residual Risk from Risk Domain Values

Prerequisites

- Site must be configured for use of control-based engagement risk assessment projects.
- Inherent risk scoring by domain must be set up.

Restrictions

If using the Issues method for calculating residual risk:

- If a new issue is created or an issue's residual risk changes after the engagement has moved to Completed status, this does not trigger recalculation of the engagement-level residual risk.
- Insignificant changes submitted via edit, change request, or review do not trigger recalculation of residual risk, even though there might be new issues that should affect the residual risk.

If using the Control effectiveness method for calculating residual risk:

- Insignificant changes submitted via edit, change request, or review do not trigger recalculation of residual risk. For example, the only change might be new answers to the inherent risk screening questionnaire that change the inherent risk and thus the residual risk for the engagement.

The **Engagement risk by risk domain** information does not display on the **Engagement history** page.

Feature at a Glance

ARI-15804: Calculate Supplier-Level Inherent and Residual Risk from Risk Domain Values

Evaluates engagement-level inherent and residual risk values to determine overall supplier-level risk ratings with visibility into risk domains

This offers improved insight into the level and nature of risk across all live engagement projects for a single supplie

Prerequisites

• Site must be configured for use of control-based engagement risk assessment projects.

• Inherent risk scoring by domain must be set up.

• The supplier-level residual risk rating is generated from the engagement-level ratings for that supplier, so you also need to enable the parameter to calculate engagement-level values: calculate engagement level residual risk by risk domain (Application.SR.Engagement.CalculateEngagementLevelResidualRiskByDomain).

Restrictions

• Supplier-level residual risk is determined by evaluating residual risk for individual engagements. Therefore, any restrictions listed for ARI-15755 concerning engagement level residual risk also apply here.

Feature at a Glance

ARI-15804: Calculate supplier-level inherent and residual risk from risk domain values

- Evaluates engagement-level inherent and residual risk values to determine overall supplier-level risk ratings, with visibility into risk domains.

- This offers improved insight into the level and nature of risk across all live engagement projects for a single supplier.