



SAP Ariba 

# Feature at a Glance

## Residual Risk Enhancements

Target GA: August 2022

PUBLIC

# Feature at a Glance

## Introducing: Residual Risk Enhancements

Ease of implementation  High touch  
Geographic relevance  Global

### 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.

### Solution area

SAP Ariba Risk

### 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.

### Implementation information

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

### 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.

### 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.

Supplier risk administration

Engagement risk level configuration

Select a method for evaluating residual risk at the control level.

Issues  
Use the most severe rating from the issues associated with the control.

Control Effectiveness  
Use the combination of inherent risk and control effectiveness, as defined in the table below.  
Residual risk = Control effectiveness X Inherent risk

Inherent risk	Control effectiveness	Residual Risk
Low	Completely effective	Show Stopper
	Substantially effective	Critical
	Partially effective	High
	Substantially ineffective	Medium
	Completely ineffective	Low
Medium	Completely effective	Critical
	Substantially effective	High
	Partially effective	Medium
	Substantially ineffective	Low
	Completely ineffective	Show Stopper

# 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

Data mining Software request (ID:WS14320380) Post Project Approval Phase - In Progress

### Engagement Summary

Commodity Data mining software, Data base reporting software	Region All	Business Unit Finance
Requester sharada	Requested on Feb 16, 2022	Owner sharada
Inherent risk Medium ⓘ	Inherent Risk (Commodity) High	Residual Risk High ⓘ
Status Completed	Live Engagement Request Version 4 <a href="#">View history</a>	Scheduled periodic review Jul 28, 2022 - Aug 16, 2022

### Supplier

Name <a href="#">Bank of Montreal</a>	Legal name Bank of Montreal	Recipient name bom test <span><a href="#">Change recipient</a></span>
Telephone	Email bomtest@devnull.ariba.com	Fax

### Engagement risk by risk domain

Risk domain	Inherent risk	Residual risk	Contributing risk controls
Enriched corporate information	Low	High	Critical data element
Operational	High	Medium	Ops Control
Regulatory & legal	High	Medium	Regulatory
Watchlists	Medium	Medium	Sanctions Controls
Financial	Medium	Low	Financial Evaluation
Environmental & social	Medium		
Sanctions	Medium	Critical	Duplicate 1

First < > Last Viewing: 1/1

## Feature at a Glance

### ARI-11569: Ability to Use Control Effectiveness Levels 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 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.

The screenshot displays the SAP Supplier Risk Administration interface. The navigation bar at the top includes 'HOME', 'CONTRACTS', 'SUPPLIER RISK' (highlighted), and 'MORE...'. The main content area is titled 'Supplier risk administration' and features a left-hand navigation menu with various options. The 'Engagement risk level configuration' option is selected and highlighted in blue. The main configuration area is titled 'Engagement risk level configuration' and contains a section for selecting a method for evaluating residual risk at the control level. Two options are presented: 'Issues' (selected with a radio button) and 'Control Effectiveness' (unselected). The 'Issues' option is highlighted with a yellow box and includes the description: 'Use the most severe rating from the issues associated with the control.' The 'Control Effectiveness' option includes the description: 'Use the combination of inherent risk and control effectiveness, as defined in the table below. Residual risk = Control effectiveness X Inherent risk'. 'Save' and 'Cancel' buttons are visible in the top right corner of the configuration area.

Supplier risk administration

Engagement risk level configuration

Select a method for evaluating residual risk at the control level.

- Issues  
Use the most severe rating from the issues associated with the control.
- Control Effectiveness  
Use the combination of inherent risk and control effectiveness, as defined in the table below.  
Residual risk = Control effectiveness X Inherent risk

Save Cancel

## Feature at a Glance

### 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.

The screenshot displays the SAP Ariba interface for a 'Data mining Software request (ID:WS14320380)'. The page includes a navigation bar with a '< Back' link, the request title, and a status indicator 'Post Project Approval Phase - In Progress'. There are buttons for 'Advanced view', 'View activities', and 'Action'. The main content is divided into two sections: 'Engagement Summary' and 'Supplier'.

**Engagement Summary**

Commodity	Region	Business Unit
Data mining software, Data base reporting software	All	Finance
Requester	Requested on	Owner
sharada	Feb 16, 2022	sharada
Inherent risk	Inherent Risk (Commodity)	Residual
Medium ⓘ	High	High ⓘ
Status	Live Engagement Request Version	Schedule
Completed	4 <a href="#">View history</a>	Jul 28, 2022

**Risk domains summary (highlighted in orange):**

Overall residual risk	High
<b>Risk domains</b>	
Enriched corporate information	High
Operational	High
Regulatory & legal	Medium
Watchlists	Medium
Financial	Low
Environmental & social	
Sanctions	Critical

**Supplier**

Name	Legal name	Recipient name	<a href="#">Change recipient</a>
<a href="#">Bank of Montreal</a>	Bank of Montreal	bom test	
Telephone	Email	Fax	
	bomtest@devnull.ariba.com		

## 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 supplier

#### 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.

The screenshot displays the SAP Supplier Risk interface for Premium Waters, Inc. (SM Vendor ID: S10009150). The interface is divided into a left sidebar and a main content area. The sidebar contains navigation options: Summary, Contacts, ERP data, Certificates, Activity log, Factories, Risk (selected), Supplier request, Registration, and Questionnaires. The main content area shows the 'Risk' section with tabs for Risk exposure, Risk incidents, Enriched corporate info, Forced labor, Environmental & social, Financial risk, Engagement requests (selected), and Custom data. It displays overall inherent risk as 'High' (last updated Jun 23, 2022) and overall residual risk as 'Low' (last updated Jun 22, 2022). Below this, a table lists engagement requests (21 total, 3 new, 12 in progress, 6 completed). The table columns are ID, Name, Owner, Requested on, Status, Inherent Risk (Commodity), Inherent risk, and Residual risk.

ID	Name	Owner	Requested on	Status	Inherent Risk (Commodity)	Inherent risk	Residual risk
WS15847631	sha_ari-16971	sharada	Apr 27, 2022	Trigger Evidence and Control Process Phase - In Progress	High	Low	Not Applicable
WS15827915	CR4DNT_Sha_RRC_checkHistory	sharada	Apr 26, 2022	Completed	Low	Medium	Low
WS15607530	DNT_Sha_VendorIRC_5	sharada	Apr 15, 2022	Request Cancelled	Low	Medium	Not Applicable
WS15595105	DNT_Sha_VendorIRC_3	sharada	Apr 13, 2022	Project Approval Phase - In Progress	Low	Low	Not Applicable
WS15594864	DNT_Sha_VendorIRC_2	sharada	Apr 13, 2022	Archive Pending	Low	High	Show Stopper
WS15594580	DNT_Sha_VendorIRC_1	sharada	Apr 13, 2022	Archived	Low	Medium	Critical