Internal Control and Risk Management with ADONIS

Approaches, Services and Consulting

ADONIS – make processes work
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1 Why choose Risk Management and Internal Control?

Integration of Risk Management, Internal Control and Business Process Management – Advantages

There is nothing new in enterprises making use of risk management. Nevertheless this environment has undergone great changes and the focus does not only lie on financial risks anymore. Instead it has continuously dealt with further business risks, such as operational risks.

The risk management is composed of identification, analysis, assessment, monitoring and control of risks. With the use of business process management, risk management obtains various options to face risks permanently. In this way, the risk management itself can be seen as a business process or the business process management can be applied as an initiative for reduction and prevention of risks.

The Internal Control System (ICS) is the basis of this integration of risk management and business process management and is the essential link between these two management areas. On the side of the business process management, internal control is a factor of success. It has a positive impact on effectiveness and efficiency of the business processes by reducing or even preventing operational hazards/risks. These hazards/risks are again an essential component of the risk portfolio, which lies in the management area of the enterprise risk management.

These facts lead to the argumentation that internal control is a crucial success factor of business process management, as well as of risk management. It plays a crucial role in both areas and supports the following objectives:

- Sustainable increase of corporate existence.
- Increase of effectiveness and efficiency of business activities.
- Warranty of completeness and correctness of financial reporting.
- Fulfilment of legal requirements or standard specifications (i.e. Solvency II, Basel II and III, URAG 2008, MaRisk, BilMog, KonTrag, EN 15224, ISAE 3402, ISO 27000, and much more).
- Realisation of risk management frameworks (i.e. COSO II, ONR 49000, ISO 31000).
2 Risk Management and Internal Control with ADONIS and the ADONIS Process Portal

From Documentation to Full Operation

Support for risk management and internal control is provided through the integrated approach of the ADONIS Rich Client and the ADONIS Process Portal. With this combination, a comprehensive tool suite is provided to the central owner of risk management or internal control, in order to compile detailed analyses or reports. At the same time, the ADONIS Process Portal allows a decentralised involvement of risk owners, control owners and initiative owners.

2.1 ADONIS Rich Client

ADONIS is simple and intuitive to handle and comprising in its functionality. The tool supports design and documentation of the process landscape, identification and documentation of risks and controls as well as management of improvement initiatives.

ADONIS can be used in single-user or multi-user operation. The data storage takes place in a relational database, whereby external data can be read by using various interfaces. Through database-supported model storage, ADONIS is capable of providing outstanding mechanisms for analysis and optimisation of these models.

2.2 ADONIS Process Portal

The ADONIS Process Portal (APP) offers a role-specific user interface, providing the exact contents and functions to the staff members, which they need for their fields of activity. In this way, complexity is reduced and functionalities can be offered for specific target groups. When using an on-line access to the ADONIS database, all functionalities are available via the Internet.

Via a web browser, the user is given access to the existing ADONIS models along with all stored information. Furthermore, according to their entitlements, the users are able to edit model contents online. To facilitate the application of the ADONIS Process Portal even without an intense training, the user interface was deliberately designed intuitively and easy-to-use. The ADONIS Process Portal ideally complements the ADONIS Standard Rich Client (local PC installation) and therefore provides comprehensive support for the entire lifecycle of business processes as well as an operational support of the internal control system.
2.3 Risk Management and Internal Control Modules in the ADONIS Process Portal

Due to the large number of roles involved in the risk management and internal control scenario, the requirement of a simple role-based execution of relevant contents is essential.

The integration of additional functional modules in the ADONIS Process Portal meets this requirement. In this way, the relevant and required content for the various roles, such as risk manager, control owner or initiative responsible, can be displayed in an easy understandable way.

The module “Risk Management” depicts the specific risk portfolio of the logged-in user. Depending on the task, this module offers the possibility to assess risks, to approve a previous assessment or to manage escalated risk assessments.

The module “Control Management” offers a user-specific execution of all controls that are related to the logged-in user. This could be the case of a control execution, as well as a control assessment, a control approval or an escalation handling of outstanding controls.

The module “Initiative Management” allows an insight on initiatives in which the logged-in user is involved, for which he is responsible or in which he acts as a customer. The project manager is enabled to provide status feedback on the realisation of the initiatives. Furthermore, this module facilitates the documentation of goals achieved through the initiatives set, and serves as a medium for project communication in the course of initiative realisation.
3 Risk Management with ADONIS and the ADONIS Process Portal

*A Realistic Assessment of Risks*

The functions for the management of operational risks in ADONIS and the ADONIS Process Portal support the risk management process in risk identification and assessment, up to the constant evaluation of the risk portfolio.

### 3.1 Involved Roles

The following roles are involved in the management of the operational risk portfolio, particularly with the related assessment workflow, and are ideally executed in the ADONIS environment:

<table>
<thead>
<tr>
<th>Role</th>
<th>Responsibilities</th>
</tr>
</thead>
</table>
| **Risk Manager**  | • Responsible for the definition of risk master data and for the entirety of the risk catalogue.  
                    • Activities include structuring and maintenance of the model stock as well as creating and deleting defined risks and their initial assessment. |
| **Risk Assessor** | • Obligation of a periodic risk assessment.  
                    • Activities include periodic assessment of the risk transaction data.  
                    • Application area includes risks assigned to the role, for example grouped by business unit or subject. |
| **Risk Approver** | • Responsible for the initial risk examination (master data), the assignment of adaptations, as well as their approval.  
                    • Examination and approval of periodic risk assessments.  
                    • Application area includes a defined number of risks, for example grouped by business unit or subject. |
| **Risk Supervisor** | • Responsible escalation body in case of an unfinished or insufficient assessment made by the responsible risk assessor.  
                        • Activities include escalation handling of overdue risk assessments.  
                        • Application area includes risks assigned to the role, for example grouped by business unit or subject. |
| **Risk Viewer**   | • Does not have any responsibility for a risk.  
                        • Observation of selected risks and their status.  
                        • Application area includes a defined risk pool. |
3.2 Use Cases

The functions of ADONIS and the module “Risk Management” of the ADONIS Process Portal allow a complete technical realisation of the use cases presented below:

<table>
<thead>
<tr>
<th>System</th>
<th>Use Case</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Identification, Definition and Distribution of Risks</td>
</tr>
<tr>
<td></td>
<td>• Capturing risks on the basis of single activities, processes or defined business units and locating them in clearly structured and organised risk pools.</td>
</tr>
<tr>
<td></td>
<td>• Definition of master data, as well as initial assessment of captured risks. Each risk has to be considered and assessed separately.</td>
</tr>
<tr>
<td></td>
<td>Assessment of Risks</td>
</tr>
<tr>
<td></td>
<td>• Periodic risk assessment. Each risk assessment is archived.</td>
</tr>
<tr>
<td></td>
<td>Approval of Risks</td>
</tr>
<tr>
<td></td>
<td>• Approval of risks and their assessment. Each assessment has to be controlled and approved separately.</td>
</tr>
<tr>
<td></td>
<td>Escalation Handling of Overdue Risk Assessments</td>
</tr>
<tr>
<td></td>
<td>• As far as an assessment has not been executed, the supervisory body has to be informed to initiate further steps.</td>
</tr>
<tr>
<td></td>
<td>View of Risks</td>
</tr>
<tr>
<td></td>
<td>• Viewing of risks within the web environment.</td>
</tr>
</tbody>
</table>

3.2.1 Identification, Definition and Distribution of Risks

Definition and documentation of risks take place in the ADONIS Rich Client. The single risks can be identified (independently) and documented in (archived) risk catalogues, based on processes or activities in which they occur and in which they are influenceable, as well as on the basis of business processes, business units or deployment scenarios.

- **Handling of activity-related risks**
  Risk tracking based on process activities, whereby each activity has to be examined individually and separately for potential risks. The assessment of these risks takes place on the basis of occurrence probability and impact.

- **Handling of process-related risks**
  Identification and assessment of risks for the overall scope of a process. The analysis is based on inputs, outputs as well as process performance. Risks that do not initially occur or that are not initially caused within the process are usually not affected.
### Handling of stand-alone risks

Analysis of risks concerning a certain business unit and that, furthermore, are not assignable to a specific activity or process. Therefore these risks represent dangers that immediately affect the business or activity field of the business unit.

#### 3.2.2 Constant Assessment and Approval of Risks

The periodic risk assessment, according to their occurrence probability and impact, takes place in the “Risk Management” module of the ADONIS Process Portal. This happens through a “four eyes principle”, in which the assessing and the releasing role can be defined for each risk. In accordance with this principle, the assessment process proceeds as follows:
The interval of the periodic risk assessment can be set from daily to annually (individual date) for each risk. As soon as a risk is ready for assessment, the risk assessor receives an email invitation to assess his risks in the ADONIS Process Portal. Once the assessment has been completed, the risk will be forwarded to the risk approver, who likewise receives an email invitation for the approval.

The assessment and its approval take place in the module “Risk Management” of the ADONIS Process Portal. Via the module “Risk Management” the logged-in user is provided with a tabular view of those risks he is connected to via a role (see 3.1). This is simultaneously the environment, in which risk assessment and approval take place according to the workflow outlined above.
The columns contain the descriptive attributes such as risk name, assessment status, actions etc. As far as an assessment has to be made, according to the workflow, the risk status changes into “to evaluate”. The user is now enabled to assess the risk through the dialogue presented below:

Figure 5 – risk assessment dialogue

By using the pull-down menu of “Likelihood” and “Impact”, the single risk assessment is set. Comments and documentation are recorded in the text fields.
4 Control Management with ADONIS and the ADONIS Process Portal

*Constant Assessment and Execution of Controls*

The internal control system with its controls in workflows, structural organisation, IT etc. constitutes an essential element in responding to operational risks. Obviously this system has to meet the requirements of efficiency, which can be achieved using the ADONIS Suite.

### 4.1 Involved Roles

The following roles are involved in the management of the internal control system and in the workflows of various controls. ADONIS provides optimum support:

<table>
<thead>
<tr>
<th>Role</th>
<th>Responsibilities</th>
</tr>
</thead>
</table>
| **Control Manager** | - Responsible for the definition of control master data and for the entirety of the control catalogue.  
                        - Activities include structuring and maintenance of the model stock as well as creating and deleting defined controls and their initial assessment. |
| **Control Assessor** | - Obligation of a periodic control assessment and archiving.  
                             - Activities include assessment of the control suitability by means of the attributes “Design Effectiveness” as well as “Operating Effectiveness”. |
| **Control Approver**  | - Responsible for the initial examination of deposited master data, as well as the assignment of possible adaptations.  
                             - Examination and approval of periodic control assessments. |
| **Control Owner**    | - Obligation of a constant control execution.  
                             - Activities include periodic control assessment, as well as the documentation of the execution and its results. |
| **Control Reviser**  | - Evaluation or examination of the previous control execution.  
                             - Modification of the execution data. |
| **Control Supervisor** | - Responsible escalation body in case of an unfinished or insufficient assessment made by the responsible control assessor or an unfinished control execution. |
Control Viewer

- Does not have any responsibility for a control.
- Observation of selected controls, their status, as well as their latest execution.

4.2 Use Cases

The functions of ADONIS and the module “Control Management” of the ADONIS Process Portal allow a complete technical realisation of the use cases presented below:

<table>
<thead>
<tr>
<th>System</th>
<th>Use Case</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Identification, Definition and Distribution of Controls</td>
</tr>
<tr>
<td></td>
<td>- Capturing controls on the basis of single risks or defined business units and locating them in clearly structured and organised control pools.</td>
</tr>
<tr>
<td></td>
<td>- Definition of master data, as well as initial assessment of captured controls. Each control has to be considered and assessed separately.</td>
</tr>
<tr>
<td></td>
<td>Assessment of Controls</td>
</tr>
<tr>
<td></td>
<td>- Periodic control assessment. The single control assessments are archived.</td>
</tr>
<tr>
<td></td>
<td>Approval of Controls</td>
</tr>
<tr>
<td></td>
<td>- Approval of controls and their assessment. Each assessment has to be reviewed and approved separately.</td>
</tr>
<tr>
<td></td>
<td>Execution of Controls</td>
</tr>
<tr>
<td></td>
<td>- Execution and documentation of the control. Each control execution has to be archived.</td>
</tr>
<tr>
<td></td>
<td>Escalation Handling of Overdue Control Assessments and Control Executions</td>
</tr>
<tr>
<td></td>
<td>- As far as a control has not been executed or assessed and documented on time, the supervisory body has to be informed to initiate further steps. It is up to the supervisory body to manually define the next steps.</td>
</tr>
<tr>
<td></td>
<td>View of Controls</td>
</tr>
<tr>
<td></td>
<td>- Viewing of controls within the web environment.</td>
</tr>
</tbody>
</table>

4.2.1 Definition of Controls

Those risks whose value is too high, as measured by the enterprise’s risk appetite, have to be opposed to controls. Therefore the control definition is based on risks. One or more specific controls can be assigned to one risk. However, controls can also be created independently, such as controls that affect defined business units. The documentation of controls takes place in the ADONIS Rich Client.
4.2.2 Assessment of Controls

The assessment of controls is supported analogously to the assessment of risks through a four eyes principle, i.e. an assessment is followed by the approval of the control assessment or its rejection, which necessitates a new assessment. The control assessment takes place according to their design effectiveness and operating effectiveness.

![Control Assessment Diagram]

The interval of the periodic control assessment can be set from daily to annually (individual date) for each control. As soon as a control is ready for assessment, the responsible assessor receives an email invitation to assess his controls. Once the assessment has been completed, the control will be forwarded to the approver, who likewise receives an email invitation for the approval. Assessment and approval take place in the ADONIS Process Portal.

4.2.3 Execution of Controls

After the initial control definition and assessment, the control is submitted in periodic intervals to the control owner for execution.

The control owner decides whether to confirm or reject the execution. In the module “Control Management” in the ADONIS Process Portal is shown, which controls each staff member has to execute. There are specifically shown those controls that need to be handled by a certain staff member. As soon as a control is ready for execution, the responsible control owner receives an email invitation to execute his controls. Documentation and execution take place in the ADONIS Process Portal.

If the control execution does not take place within the defined period (period of tolerance), an automated escalation is triggered and email information is send to the supervisor.
Via the module “Control Management” the logged-in user is provided with a tabular view of those controls he is connected to via a role. This is simultaneously the environment in which control execution, assessment and approval take place according to the workflows outlined above.

Each row presents a control. The columns contain the descriptive attributes such as control name, execution or assessment status, actions etc. As far as an execution or assessment has to be made, the control status...
changes according to the workflow. The user is now enabled to assess or execute controls through the dialogues presented below.

- **Control assessment**
The assessments can be documented through checkboxes on issues such as “Design Effectiveness”, “Operating Effectiveness” and “Documentation of the control”, as well as they can be described in detail in the text field “Comment (review)”.

- **Control execution**
In the execution dialogue the control owner is enabled not only to document execution results, but also to upload a file as proof for the control execution. The function of the control review allows re-examining and, if necessary, commenting or changing the information for the control execution deposited for a defined role.
Figure 10 – control execution dialogue
5 Initiative Management with ADONIS and the ADONIS Process Portal

Operational Improvements in the Risk Landscape

The initiatives or the initiative management constitute the continuous improvement of the management of operational risks as well as of the internal control system. The initiative management intervenes to repair risks detected with a negative trend or weaknesses of the linked control(s). Initiatives constitute temporarily limited activities, which can again become controls themselves.

5.1 Involved Roles

The following roles are involved in the initiative management and in the initiative workflow and receive optimal support from ADONIS and the ADONIS Process Portal.

<table>
<thead>
<tr>
<th>Role</th>
<th>Responsibilities</th>
</tr>
</thead>
</table>
| Purchaser    | • Authorises initiative realisation.  
               • Approves budget (human and financial). |
| Responsible  | • Responsible for the achievement of the initiative objectives within the given time budget and resources.  
               • Responsible for the constant status feedback of the initiative.  
               • Responsible for the timely escalation in case of “project crises”. |
| Staff Members| • Constitute the initiative project team and can, if necessary, be assigned to further subteams. |
| To Inform    | • Person or role that has to be informed about progress or completion of initiatives (e.g. process owner, risk manager, responsible for internal control). |
5.2 Use Cases

The functions of ADONIS and the module “Initiative Management” of the ADONIS Process Portal allow a complete technical realisation of the use cases presented below:

<table>
<thead>
<tr>
<th>System</th>
<th>Use Case</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Definition of Initiatives</td>
</tr>
<tr>
<td></td>
<td>• Initiative definition incl. its objectives and involved roles. Moreover, the planned realisation period and the available resources have to be specified in the course of planning.</td>
</tr>
<tr>
<td></td>
<td>Status Feedback/Initiative Controlling</td>
</tr>
<tr>
<td></td>
<td>• The initiative status incl. stage of completion and actual value of times, costs and resources is periodically reported back.</td>
</tr>
<tr>
<td></td>
<td>Escalation Handling of Overdue Status Feedback</td>
</tr>
<tr>
<td></td>
<td>• If there is no periodic status feedback, the purchaser has to be informed.</td>
</tr>
<tr>
<td></td>
<td>Observation of Initiatives / Information</td>
</tr>
<tr>
<td></td>
<td>• Initiative consideration within the web environment.</td>
</tr>
<tr>
<td></td>
<td>• The staff members or those roles that have to be informed on the initiative development, get an overview of the current initiative(s) in the ADONIS Process Portal.</td>
</tr>
</tbody>
</table>

5.2.1 Definition of Initiatives

The initiatives are created in the ADONIS Rich Client and can be organised in various models or model groups, according to different factors. Structuring in freely definable initiative catalogues allows an efficient administration of the initiative portfolio and a quick assignment of initiatives to e.g. products, processes, etc.

ADONIS provides the possibility to capture tasks and initiatives and to document them in detail. In doing so, the determination of responsible persons for the initiative processing, the planning of deadlines (start and finish dates, etc.) and the planning of resources (on the basis of man-days and costs) are taken into account.

5.2.2 Initiative Controlling

The module “Initiative Management” of the ADONIS Process Portal supports the users to monitor the status of documented initiatives steadily and periodically and to assess the progress of their realisation. After the approval, the initiatives are inserted in the realisation. As soon as constant initiative controlling is due according to the definition of initiatives, the person responsible for the initiatives receives an email invitation to assess the current status and to execute his initiatives. The documentation of an initiative realisation takes place in the ADONIS Process Portal.
If the realisation of the initiative controlling does not take place within the defined period (period of tolerance), an automated escalation is triggered and email information is send to the supervisor.

Via the module “Initiative Management” the logged-in user is provided with a tabular view of those initiatives he is connected to via a role. This is simultaneously the environment in which the periodic status feedback takes place according to the workflows outlined above.

Each row presents an initiative. The columns contain the descriptive attributes such as name, initiative status, planning data etc. Moreover, a detailed view is provided for each initiative, in which the planning data as well as the controlling data are displayed clearly:
In this detailed view, the responsible for the initiatives is has the possibility to enter relevant data for the status feedback:

![Figure 13 – APP detailed view of initiatives](image)

![Figure 14 – initiative controlling data](image)
6 Outlook: myViews

The myViews of the ADONIS Process Portal provide a tailored view of all relevant information for individual requirements. User-tailored dashboards support efficient work and help facing critical aspects concerning risk management, internal control and processes at any time.

Depending on their role in internal control, process or risk management, each user is provided with views needed for task accomplishment. The risk manager’s dashboard shows e.g. the risks he is responsible for, where they occur, which controls these risks face, and which tasks have to be accomplished.

At the same time, several technical scenarios can be combined in one dashboard. The following dashboard summarises relevant information for the process owner, who also undertakes tasks associated with risk management or internal control. Processes with responsibilities together with their status are immediately visible. Additionally, the controls that have to be executed and the risks that occur in the processes they are responsible for, are displayed.

![Figure 15 – myViews dashboard in the ADONIS Process Portal](image)

**Advantages of myViews**

- Compact representation of all relevant information in one dashboard.
- Adapted to individual requirements of roles in risk management and internal control.
- Customisable, upgradeable and central point of entry into the ADONIS Process Portal.
Intrigued?

www.boc-group.com/riskmanagement