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Project: Operational Risk – Controls 'Self-Assessment' framework

Abstract

The client had identified that there was no cohesive view on the risk and control environment relating to its newly-created shared service risk function (SSRF), and were concerned that compliance with Group minimum standards on policy and controls were not being met or measured. Avantage Reply was asked to undertake a comprehensive review of the SSRF team's existing operational risk framework, processes and practices to identify inherent risks, existing controls and gaps in the framework, and deliver the findings to the COO. A self-assessment controls testing framework was also established and remedial action was proposed to rectify inadequacies of existing processes and practices.

THE CLIENT

The client is the Corporate Banking Division of an international commercial and retail bank.

THE CHALLENGE

As part of the bank's restructuring of key divisions and businesses a new shared service risk function (SSRF) was created comprising over 100 staff to service a geographically diverse commercial banking service. The SSRF was created from legacy risk functions, risk change functions, governance functions and risk modelling functions. The COO risk identified that there was no cohesive view on the risk and control environment relating to the SSRF and there was concern that compliance with Group minimum standards on policy and controls were not being met or measured.

The client requested us to:

- Identify key risks across all teams and map to Group policy and standards;
- Identify the existing controls relating to the above risks;
- Identify gaps in the risk and control framework across the teams;
- Work with SSRF teams to establish a control testing framework using a 'self-assessment' approach to measure the adequacy and effectiveness of the controls;
- Provide the COO with recommendations of major gaps in the risk control framework; and
- Assist the COO in implementing the recommendations agreed upon.

APPROACH AND SOLUTION

Working closely with the heads of each risk team undertook a comprehensive review of the SSRF team's existing operational risk framework, processes and practices to identify the inherent risks and identify the existing controls and residual risk. Once the review was completed the development of a self-assessment controls testing framework was established.

The next steps involved the delivery of findings and recommendations the COO relating to gaps or breaches of Policy and Standards and propose remedial action to enhance effectiveness and rectify inadequacies of existing processes and practices.

RESULTS AND BENEFITS

We assisted our client in identifying sub optimal controls and processes and provided an assurance of controls adequacy and effectiveness through the development of the self-assessment controls testing framework. This allowed the COO to certify to the board compliance with Group policy and standards.

As an outcome of the review a specific weakness in information security (IS) was revealed. This resulted in a request from the COO for Avantage Reply to provide a detailed review on the control framework relating to Information Security.