

# EGRC & MIS Solutions

Enterprise Governance, Risk and Compliance

## OBSERVAR

- is an independent company registered in Baar, Switzerland founded in 2004 in a MBO from KPMG (see enclosed letter).
- is specialised in **combining** consultancy know-how with intelligent software products.
- currently offers **over 25 modules** for EGRC and MIS solutions in an integral WEB-suite.
- did not develop just a software as a project – but a very user-friendly and **scalable** software product.
- receives outstanding feedbacks from **very satisfied** customers

**Management is about running a business –**

Prof. Bob Tricker, 1994 in Oxford

**Governance is about seeing that it is run properly.**

(Corporate Governance Research)

EGRC is about comprehensible decisions by management to achieve the set objectives of a company – and documented realisation of the decisions.

**To achieve this – reliable information is the key:**

- information about risks and opportunities (and set objectives)
- on measures, systems, processes and their effectiveness and reliability
- on compliance or non-compliance with measures and policies/laws/regulations.
- over all relevant business units and other focus areas
- and as broad and exact as necessary – and timely available!

**The OBSERVAR software suite is designed to establish a comprehensive EGRC environment within a short implementation phase – and with high acceptance of staff, management and boards.**

# Standards and Frameworks

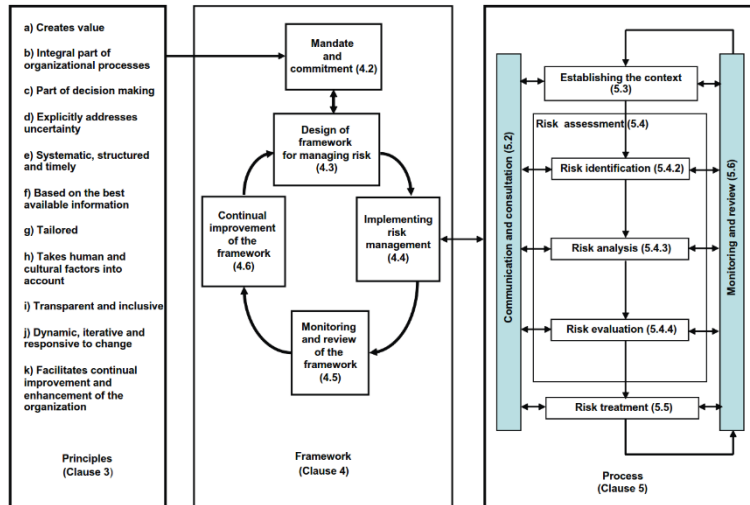
## CMS System IDW 980

Compliance-Culture  
Compliance-Objectives  
Compliance-Risks  
Compliance-Program  
Compliance-Organisation  
Compliance-Communication  
Monitoring and Improvement

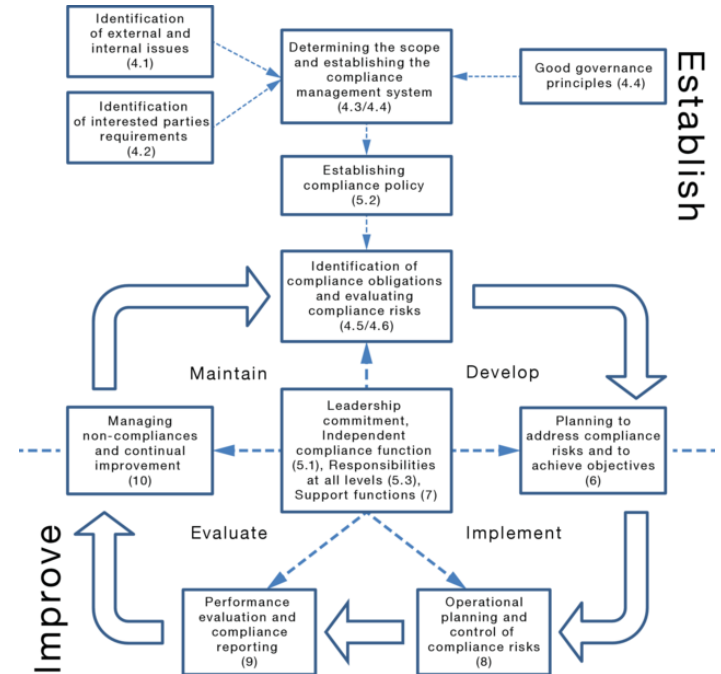
for EGRC often **share criterias** like:

- Environment
- Objectives
- Identification
- Assessment
- Control Activities
- Information/Communication
- Monitoring
- Improvement

## ISO 31000 ERM



## ISO 19600 (compliance management)



Update articulates principles of effective internal control

- Control Environment**
- Risk Assessment**
- Control Activities**
- Information & Communication**
- Monitoring Activities**

1. Demonstrates commitment to integrity and ethical values
2. Exercises oversight responsibility
3. Establishes structure, authority and responsibility
4. Demonstrates commitment to competence
5. Enforces accountability
6. Specifies suitable objectives
7. Identifies and analyzes risk
8. Assesses fraud risk
9. Identifies and analyzes significant change
10. Selects and develops control activities
11. Selects and develops general controls over technology
12. Deploys through policies and procedures
13. Uses relevant information
14. Communicates internally
15. Communicates externally
16. Conducts ongoing and/or separate evaluations
17. Evaluates and communicates deficiencies

## COSO ERM & Internal Control



OBSERVAR integrates the criterias of Standards and Frameworks like ISO 19600 or IDW 980 in one modular and scalable WEB-Suite.

OBSERVAR **documents and structures** information which generally not exists in data bank systems – but for the most part in the employees minds.

OBSERVAR **requests and consolidates** information through an automatic **multilevel reminder system**.

OBSERVAR **automatically analyses** incoming information detecting and notifying (on real time) the **critical issues** to the decision takers.

Focus on: What is important to know?

OBSERVAR Software (2 to 30 Modules):

Highly parameterizable software which targets knowledge and information gathering in uniform taxonomies for analysis, monitoring, documentation and reporting purposes.

Web based modular software, one master module and an optional number of other modules.

Thanks to the continuous enhancement of the methodology and technology, the work “Users” have to do will be extremely efficient e.g.: Time needed for one employee to determine monthly 10 messages: **30 minutes per month**

Together with customers several standard workflows were developed and integrated like «Identification workflows» «Assessment workflows» «Monitoring workflows» and many more

# Example workflow for prioritization / for qualitative and/or quantitative risk assessments

On login screen choose first „EROM Preparation“ to enter qualitative judgements and afterwards „EROM Assessment“ for quantitative valuation

If there is a „First Step“ to be performed: enter in this form „relevance“ and if you can judge the topic by clicking in the box

If there is no „First Step“ you access directly „qualitative“ and give qualitative judgements for the topics. If there was a „First Step“ you will find in this form already reduced work for the topics.

If „quantitative valuations“ are required you access „EROM Assessment“ and give quantitative valuations of the topics under consideration of informations of the previous steps.

## EROM Preparation

### Qualitative Assessments

Completion of questionnaire for qualitative assessment of Opportunities and Risks. Posting comments regarding potential impacts on objectives / targets.

## EROM Assessment

### Quantitative Valuations

Assessing quantitative valuations of potential impacts on objectives / targets (Quantification of Risks and Opportunities). Register existing Processes and define new Projects.

Item N.	Not relevant () No significant impact ①	I can judge qualitative & quantitative () ①	I can judge qualitative only () ①	I cannot judge () ①
01 Political upheavals	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
02 Legal framework conditions	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
03 Subsidies	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
04 Taxes, fiscal and public charges	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
05 Unrest, war, terrorism	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
06 Environmental protection laws	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
01 Market change	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
02 Changes in price and margins	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
03 Capital availability and capital costs (financing)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Relevance status: 38 %  
Total num. of Items: 78  
Total Answered: 2  
Total Not Answered: 22  
Total Unanswered: 40  
Not Relevant: 5

Selected Topic: Strategy implementation  
How important is the implementation of our strategy?

View Node's Keywords, events, etc...  
Copy Answers to selected Item? [button]

1. Your role and knowledge for the described event: M \*

I have very good / specialist knowledge

2. Please give your feedback on the general importance of the event / processstep:

☒ I can judge ☐ I can't judge  
(It is very important, that this topic is managed very well)

1. Please select the following values, by dropping the boxes into the matrix

Millions USD	Impact	Percentage	Comment
0.0	0.0		Opportunity Potential
1.1	5.5	20	Residual Risk Best Case
-18.0	-30.0	60	Residual Risk Expected
-70.0	-350.0	20	Residual Risk Worst Case
-450.0	-750.0	60	Risk Potential

2. Please select the description that matches the MEASURES IN PLACE

No effective measures/processes in place - action vitally needed  
Insufficient measures/processes - improvement necessary  
Good measures/processes - room for improvement  
Perfect measures/processes - further improvement not reasonable

Millions USD	1	2	3	4	5	6
exorbitant 500-1,000						
very big 200-500						
large 50-200						
moderate 10-50						
small 1-10						
insignificant 0-1						
minor 0-1						
small 1-10						
moderate 10-50						
considerable 50-200						
critical 200-500						
disastrous 500-1,000						

1 2 3 4 5 6  
9-10 10-30 30-50 50-70 70-90 90-100  
Likelihood (Percentage)

EROM = Enterprise Risk & Opportunity Management

## Example screen if the option qualitative and quantitative assessment is chosen

First step: reduce items to be answered in detail by choosing «relevant» or «judge» buttons

Please choose **one answer only** per line by marking one checkbox.

By placing the mouse over the 'i-button' you get more information on what to do. You have to answer all items, see counter on the bottom and left. If you choose a 'can judge' answer the item is automatically set as relevant.

### Items status

**Total num. of Items:** 78  
**Total Answered:** 52  
**Total Unanswered:** 26

Description what do do.  
All Items must be answered.






Item N.	Not relevant () No significant impact 	I can judge qualitative & quantitative () 	I can judge qualitative only () 	I cannot judge () 
01 Political upheavals	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
02 Legal framework conditions	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
03 Subsidies	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
04 Taxes, fiscal and public charges	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
05 Unrest, war, terrorism	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
06 Environmental protection laws	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
01 Market change	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
02 Changes in price and margins	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
03 Capital availability and capital costs (financing)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
04 Currency fluctuations	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

## Example screen of a **quantitative assessment** of a topic (risk)

Quantitative assessments can be performed in various ways:

- 1 vote per topic (1 participant)
- Multiple votes (delphi method)
- Risks and/or Opportunities
- Matrix or direct input of values
- Setting of ranges, currencies, labels and other parameters can be done easily

**1. Please select the following values, by dropping the boxes into the matrix**

Millions USD	Impact	Percentage	Comment	
0.0	0.0		Opportunity Potential	
1.1	5.5	20	Residual Risk Best Case	
-18.0	-30.0	60	Residual Risk Expected	
-70.0	-350.0	20	Residual Risk Worst Case	
-450.0	-750.0	60	Risk Potential	

[Save](#)

**2. Please select the description that matches the MEASURES IN PLACE**





























































— Please select an item to Proceed —

No effective measures/processes in place - action vitally needed

Insufficient measures/processes - improvement necessary

Good measures/processes - room for improvement

Perfect measures/processes - further improvement not reasonable

		Likelihood (Percentage)						
		1	2	3	4	5	6	
		0-10	10-30	30-50	50-70	70-90	90-100	
Opportunity	exorbitant 500-1,000	6						
	very big 200-500	5						
	large 50-200	4						
	moderate 10-50	3						
	small 1-10	2						
	insignificant 0-1	1						
Risk	minor 0-1	1						
	small 1-10	2						
	moderat 10-50	3						
	considerable 50-200	4						
	critical 200-500	5						
	disastrous 500-1,000	6						

Millions USD

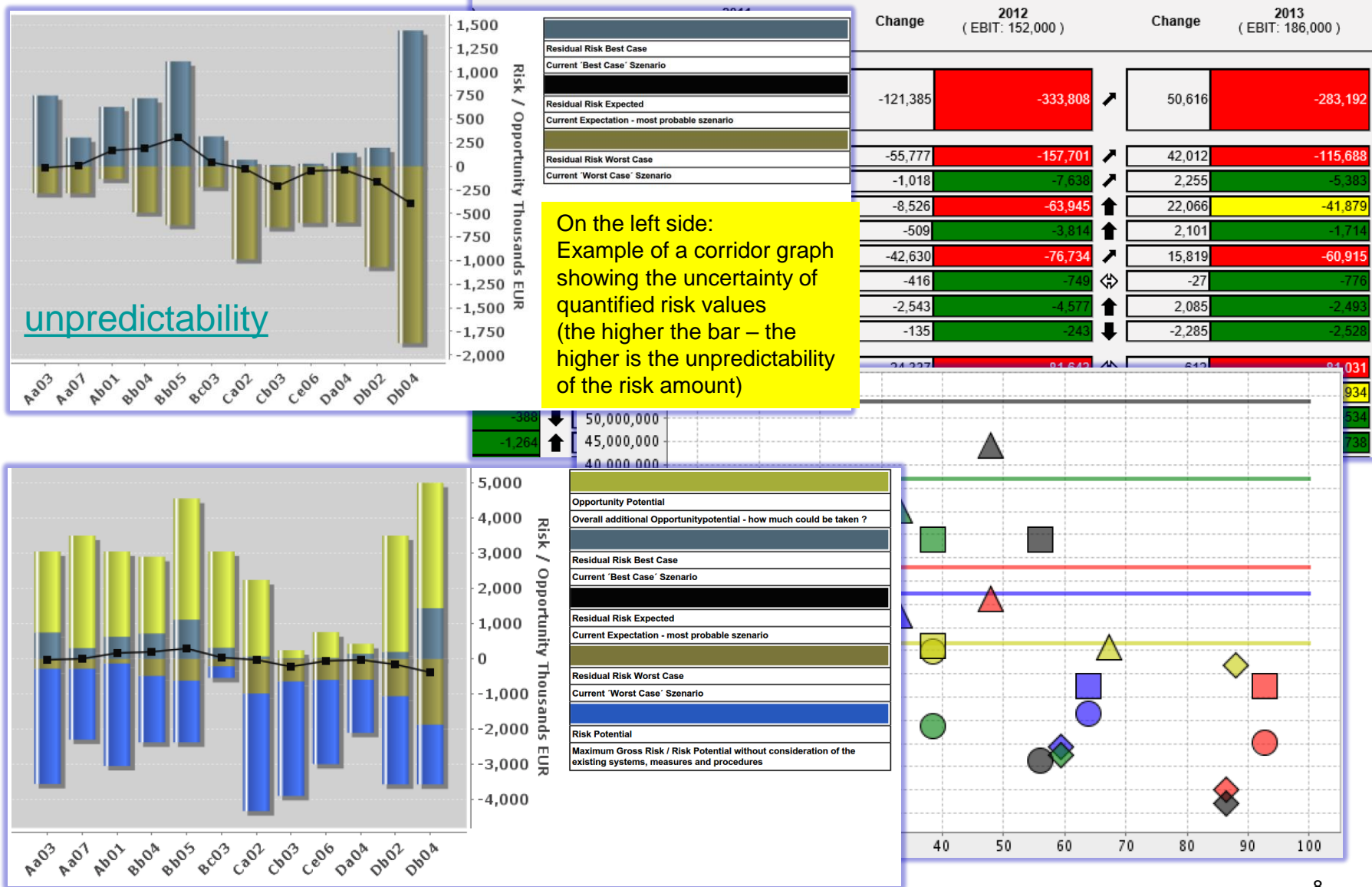
In master data the matrix settings can be configured for every assessment:

- 3 x 3 matrix up to 10 x 10 matrix (example here 6 x 6)
- Terminology of labels and also ranges can be set
- Parameters (only risks – no opportunities) can also be chosen
- Enter values and % (without matrix) – direct input – also possible
- More options like color settings and others

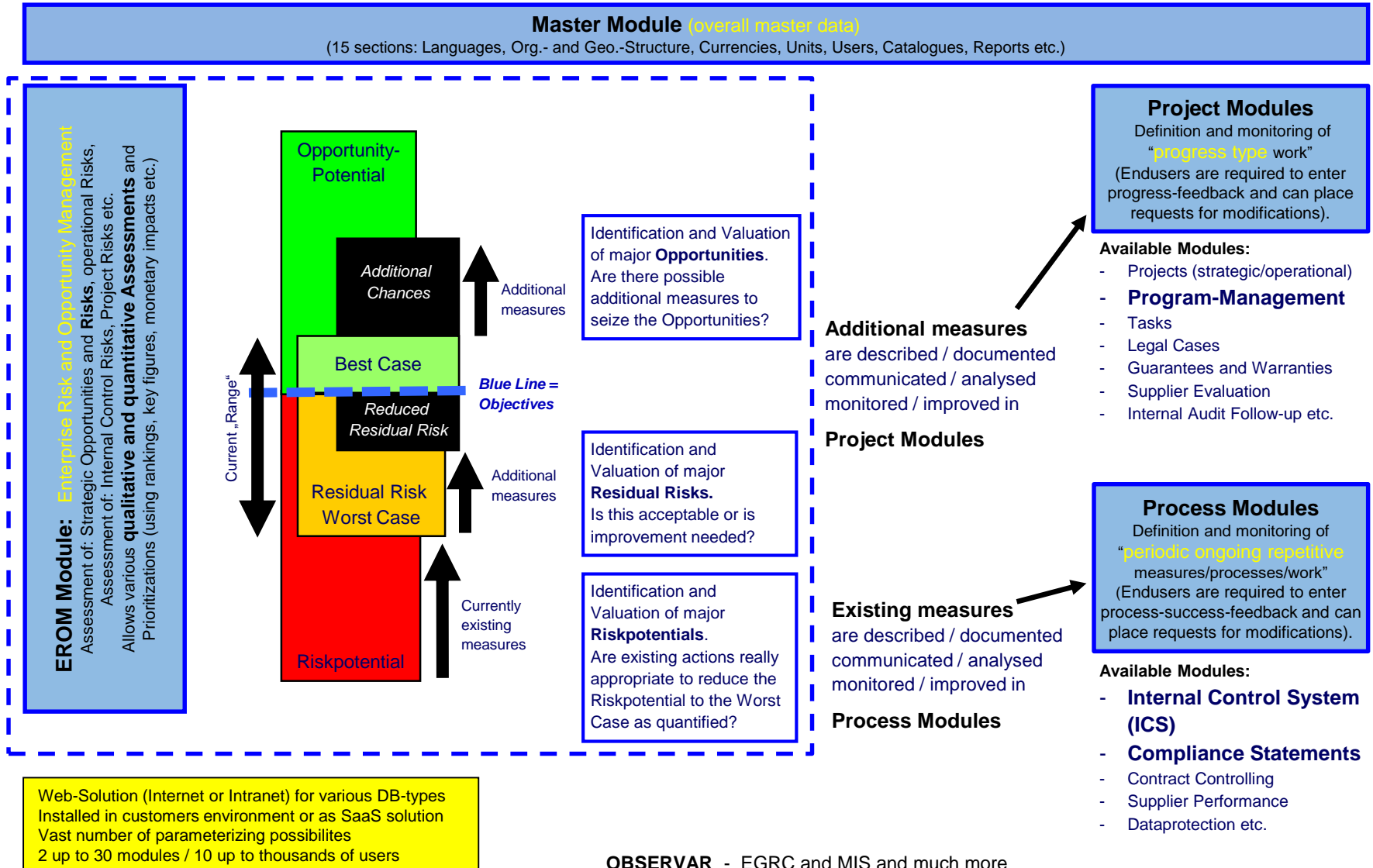


# Example screens of automatically generated reports

## Assessment module / quantification







# Example screens of automatically generated reports

## Compliance module

Report frequency

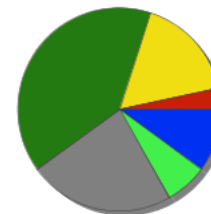
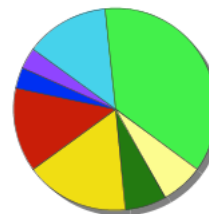
Statement Type

Regulatory framework

Risk rating

Potential costs of non-compliance Other effects in the case of non-compliance

Overview to summarise the existing compliance topics which are identified, documented and monitored



monthly	6.7%	Law	30.0%	N/A	23.3%	Catastrophic	50.0%	Euro up to 100T	6.7%	N/A	23.3%
quarterly	26.7%	Regulation	20.0%	Company law & Compliance	40.0%	High	16.7%	Euro 0.5 - 1 Mio.	16.7%	High imprisonment	40.0%
half-yearly	40.0%	Contract	10.0%	Information and communication technology ICT	10.0%	Considerable	30.0%	Euro 1 - 5 Mio.	13.3%	Imprisonment	16.7%
yearly	26.7%	Strategy	16.7%	Intellectual property	10.0%	Moderate	3.3%	Euro 5 - 10 Mio.	3.3%	High loss of image	3.3%
		Policy	23.3%	Prevention of corruption	16.7%			Euro 10 - 25 Mio.	3.3%	Loss of image	10.0%
								Euro 25 - 50 Mio.	13.3%	No further effects	6.7%
								Euro 50 - 100 Mio.	36.7%		
								Euro more than 100 Mio.	6.7%		

**Relevant compliance topics are described and categorised.** The number of select lists (pie charts) and describing elements / texts are fully parameterizable. The above graph shows only one of various reporting possibilities (excel downloads of all data also possible).

The graph on the right side shows the result of the self assessment of the responsible employees.

**For every relevant compliance topic periodic feedbacks can be demanded.**

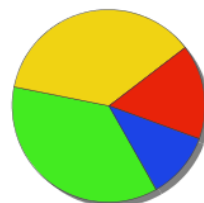
Similar graphs are also available for the results of audits or reviews of the compliance system.

Relevant

Current compliance with statements

Potential costs of non-compliance

Self assessment overview - are we aware / compliant?



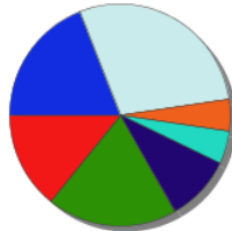
Currently relevant	36.5%	N/A	45.9%	N/A	45.9%
Was relevant - but currently not	36.5%	fully compliant	22.1%	Major costs for the unit and the group	19.9%
Currently not relevant - but in future relevant	16.0%	mainly compliant	7.7%	Moderate costs for unit and group	19.3%
Not relevant	11.0%	only partially compliant	14.4%	Considerable costs limited to unit level	9.9%
		not compliant	9.9%	Minor costs - only on unit level	5.0%

# Example screens of automatically generated reports ICS Internal Control System module

Report frequency



Control frequency



Process category



Risk Type



Control Type



Control Effect



Overview to summarise the existing ICS controls which are identified, documented and monitored

monthly 47.6%  
 quarterly 33.3%  
 semi-annually 14.3%  
 yearly 4.8%

A period «Report frequency» can be set for every key control. OBSERVAR automatically demands the required «self assessment feedbacks» with a 5-steps reminder system.

See also explanations on slide 10 regarding

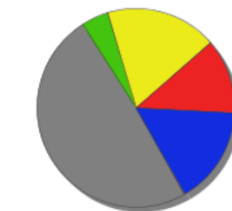
- description
- categorisation
- feedback demanding (self assessment)

transactional 19.0%  
 weekly 14.3%  
 every 2 weeks 19.0%  
 monthly 28.6%  
 quarterly 4.8%  
 semi-annually 4.8%  
 yearly 9.5%

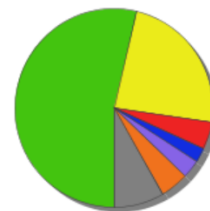
Control run



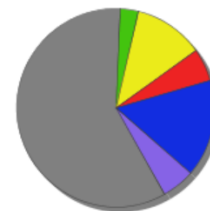
Reason for noncompliance



Error frequency



Error resolution



How deviations are classified?



Self assessment overview – are the controls performed? What are the results?

always 53.8%  
 At least 95 % 15.2%  
 more than 90 % 7.6%  
 more than 75 % 3.0%  
 more than 50 % 4.5%  
 less than 50 % 7.6%  
 never 8.3%

N/A 49.2%  
 Always complied 4.5%  
 Agreed with process owner 18.2%  
 Illness / Accident 12.1%  
 Other important reasons 15.9%

N/A 8.3%  
 never 53.8%  
 In less than 5 % of the controls 23.5%  
 In 5 - 15 % of the controls 4.5%  
 In 15 - 50 % of the controls 2.3%  
 In more than 50 % of the controls 3.0%  
 always wrong 4.5%

N/A 59.1%  
 No errors to resolve 3.0%  
 resolved by myself 11.4%  
 nothing done 5.3%  
 initiated correction 15.9%  
 Informed superiors about the errors 5.3%

N/A 66.7%  
 No deviations detected 0.8%  
 Deviations without impact 11.4%  
 Deviations with minor effects 15.9%  
 Serious deviation, massive impact 5.3%

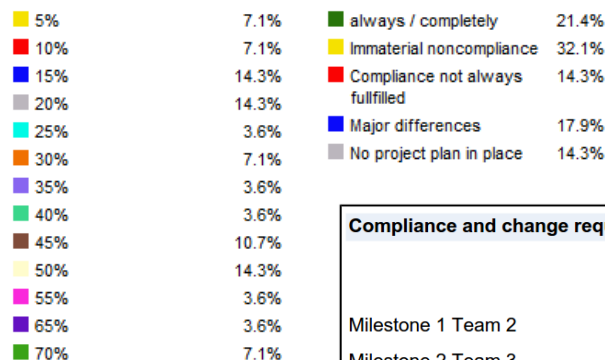
# Example screens of automatically generated reports Program Management module

Periodic feedbacks can be demanded from project responsible persons (external or internal) – for single projects or for milestones (example on the right side from a project with 5 sub-projects/milestones)

Percent complete



Projectplan compliance



Graph example above:  
overview of feedbacks  
from 28 subprojects

## Project data ( Planned costs / Actual costs )

Name	Percent complete	Days	Labor cost	Non-labor cost	Budget	Budget left	Used in %	Start	End
Planned costs		25 CHF	62,500	1,058,000	1,120,500			06/Jan/2015	06/Oct/2015
Milestone 1 Team 2	30%	5 CHF	12,500	188,000	200,500	920,000	18 %	Last update:	03/Mar/2015
Planned costs		8 CHF	9,600	76,000	85,600			20/Jan/2015	28/Oct/2015
Milestone 2 Team 3	20%	5 CHF	6,000	30,000	36,000	49,600	42 %	Last update:	03/Mar/2015
Planned costs		10 CHF	25,000	31,000	56,000			06/Jan/2015	06/Oct/2015
Milestone 3 Team 1	45%	7 CHF	17,500	29,000	46,500	9,500	83 %	Last update:	05/Mar/2015
Planned costs		88 CHF	70,400	65,000	135,400			02/Feb/2015	25/Jun/2015
Milestone 4 Team 2	50%	2 CHF	1,600	6,000	7,600	127,800	6 %	Last update:	11/Mar/2015
Planned costs		88 CHF	70,400	257,000	327,400			02/Jan/2015	25/Jun/2015
Milestone 5 Team 4	30%	12 CHF	9,600	60,000	69,600	257,800	21 %	Last update:	09/Mar/2015

## Project data ( Planned costs / Actual costs )

Name	Percent complete	Days	Labor cost	Non-labor cost	Budget	Budget left	Used in %	Start	End
Planned costs		219	237,900	1,487,000	1,724,900				
Sum		31	47,200	313,000	360,200	1,364,700	21 %		

## Compliance and change requests

	Finish in Budget	Finish in Time	Responsible change request	Audit-Functional change request	Audit-Design change request	Design-Review change request
Milestone 1 Team 2	Yes	Yes	No	No	No	No
Milestone 2 Team 3	No	No	No	No	No	No
Milestone 3 Team 1	Yes	No	Yes	No	Yes	Yes
Milestone 4 Team 2	Yes	Yes	Yes	No	No	No
Milestone 5 Team 4	Yes	Yes	No	No	No	No

## Customer Feedback



The OBSERVAR System provides big value for Wolford:

- Modular architecture / EGRC totally covered
- Central data base / high security
- Individually customisable content per client
- Web based / independent of any location
- Intuitive and extremely simple handling
- Automated follow-up function for actions
- Minimised need of resources / top efficient
- Targeted: concentration on the real important issues and contents

*We implemented EGRC completely and pragmatic – and still we stayed extremely lean and effective ... with OBSERVAR!*



**Prok. Ing. Martin FITZ, CIA, CRMA**

Head of Internal Audit,  
Risk and Opportunity Management,  
Safety Expert

**WOLFORD AG**

6. Feb. 2012

**Wolford Group EGRC**





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