

AUDITING RISK MANAGEMENT EFFECTIVENESS

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Presentation Overview

- HA Background / Cultural Change
- Overall Audit Approach
- Treasury Model Outline
- Maturity Levels
- Issues & Observations
- Lessons Learnt
- Aim for 2005

Agency Background

- 10 Years Old
- Reducing congestion / road safety
- Road builder to highway manager
- Asset base £65M
- £5B Budget

Cultural Change



- Turnbull recommendations
- Informed risk taking
- Statement on Internal Control
- Accountability

Assurance on Progress



- Treasury deadlines
- Independent review
- IA assurance - how?
- Approach

Approach



- Interviewed key management and personnel regarding RM frameworks.
- Reviewed existing documentation of relevant policies and procedures.
- Completed HMT assessment spreadsheets for each HA Directorate
- Evaluated the effectiveness and efficiency of business processes against "Best Practice."
- Follow up review on 2002/03 AICD review.

Treasury Model



- **Capabilities:**
 - Leadership
 - People
 - Strategy & Policy
 - Partners & Resources
 - Processes
- **Results:**
 - Risk Handling
 - Outcomes
- **Treasury Model is available**
 - <http://www.hm-treasury.gov.uk/media/17A/81/17A8166B-BCDC-D4B3-16668DC702198931.pdf>

Maturity Levels




- For each capability element the framework allows assessment of “maturity”:
 - Level 1 – awareness and understanding
 - Level 2 – implementation planned and in progress
 - Level 3 – implemented in all key areas
 - Level 4 – embedded and improving
 - Level 5 – excellent capability established

Maturity Levels



- For the results elements (risk handling and outcomes):
 - Level 1 – no evidence
 - Level 2 – satisfactory
 - Level 3 – good
 - Level 4 – very good
 - Level 5 – excellent


Processes



- Do HA processes incorporate RM?
 - Embedded
 - Context (stakeholders)
 - Identification & evaluation
 - Criteria for evaluation
 - Risk control mechanisms
 - Review and assurance mechanisms
 - Communications


Observations / Issues	Management Action Plan
[HA Assessment Score: 3 / NAO Expectation: 3]	
<p>5) Processes [HA Assessment Score: 3 / NAO Expectation: 3] PROCESSES</p> <p>Each Head of 'Unit' responsible for the delivery of business / management plan targets is required to identify and report on key risks to the delivery of those targets.</p> <p>The HA also has a corporate / strategic level risk register. Risks (18 as at April 04), have been linked to Business Plan KPIs and categorised in terms of the 5 balanced scorecard aspects.</p> <p>We are yet to realise the benefits that can be obtained from targeting processes to deal with risks. Work on process definition and design during the 'Way we Work' initiative should be used to assist this.</p> <p style="font-size: small;">Priority: ● Low ▲ Medium ■ High</p>	<p style="font-size: small; margin-left: 20px;">▲</p> <p>■ Good practice example of Directorate RM framework (e.g. SSR) to be widely circulated.</p> <p>■ Undertake / develop: - a 'weeding' out of duplicate risks; and - list of cross cutting risks.</p> <p>▲ If high ranked risks tolerated, there needs to be clear justification given in risk registers.</p> <p>■ Ensure RM process is included in the 'Way we Work' initiative.</p>


Risk Handling & Outcomes



- Are risks handled well & does RM contribute to achieving outcomes?
 - Improved anticipation
 - Improved decision making
 - Improved review and assurance
 - Improved planning and target setting
 - Improved risk allocation
 - Improved delivery
 - Improved financial management

Observations / Issues [HA Assessment Score: 2 / NAO Expectation: N/A]	Management Action Plan	Owner / Timing
<p>6) Risk Handling / Outcomes. [HA Assessment Score: 2 / NAO Expectation: N/A]</p> <p>RISK HANDLING / OUTCOMES</p> <p>Whilst good examples of good (and poor!) risk handling exist, it is generally felt that such performance cannot yet be attributed to the new HA RM framework. At present, we have no benchmark to map improvements.</p> <p>Views were expressed by colleagues that analysis of risk had led to:</p> <ul style="list-style-type: none"> • Improved planning and target setting; and • Improved management of risks to the public (e.g. winter maintenance and road over rail situations). Appendix E provides further examples of positive risk handling. <p style="font-size: small;">Priority: ● Low ▲ Medium ■ High</p>		
<p>■ Risk indicators to be identified and established. Thereafter, the information retained to include records of 'near misses'.</p>		

		
<ul style="list-style-type: none"> • Action Plan <ul style="list-style-type: none"> – Ensure embedment of RM framework seen as a key priority by the Change Management Group; – All proposals put before HA senior management forums include standardised risk assessments. – Develop a formal communications plan; – RM to be included in the 'behaviour setting' or key competencies aspects of future PDPs; – Ensure RM responsibilities are reflected in the new MP 'Project Leader' job profiles; – Good practice example of Directorate RM framework (e.g. SSR) to be widely circulated; – Ensure RM process is included in the 'Way we Work' initiative; – Risk indicators identified and established. Information retained to include records of 'near misses'. 		

		
<ul style="list-style-type: none"> • With each Directorate Risk Coordinator <ul style="list-style-type: none"> – Checked level 1 / 2 Outcomes <ul style="list-style-type: none"> • Some not marked shown as 1 • Some pessimism (and some optimism !) – Confirmed action plan would address all directorate weaknesses – Discussed lessons learned from process to inform next review 		

- Simplify Questionnaire
 - Sub-questions all needed marking; use as examples next time
- Improve briefing
 - Assumed too much knowledge by those who completed form
- Widen “answer base”
 - Involve managers as well as risk people

- Demonstrate Level 4 in all key aspects
- Fully embed in planning / performance management
- Improve risk register system to
 - make it seamless with Planning / Performance
 - Ensure key risks are more visible to all who need to consider them
