Managing Business Risk in Government

Questionnaire February 2000

Contact details

Organisation	
Phone	
E-mail	
Date of response	
Signature	

If we should contact someone else about how this questionnaire has been completed please tell us here

....

PLEASE SEND THE COMPLETED QUESTIONNAIRE, **BY MONDAY 21 FEBRUARY**, USING THE ENCLOSED ENVELOPE

Introduction

The Modernising Government White Paper of March 1999 emphasises the importance of improving the way risk is managed in government. The identification, assessment and proper management of risk are key elements in the Modernising Government programme as government seeks to deliver services and functions in new and innovative ways.

The National Audit Office ("NAO") has initiated a project, in response to the Modernising Government agenda. The Cabinet Office are the lead department and PricewaterhouseCoopers are assisting with the study. The NAO study will ask what more needs to be done by government organisations to satisfy themselves that they have an appropriate risk management framework for the challenges they face. The study examines the following:

> - **What do departments understand by the risks and opportunities for their business, and how do they manage those risks and maximise opportunities?**
>
> - **Given their aims and objectives, how do departments identify risks and the opportunities for taking risks to achieve desired objectives and outcomes?**
>
> - **How do organisations approach the risks of under performance or failure to deliver the outputs and outcomes for which they are responsible?**
>
> - **What is good practice in the management of risk?**
>
> - **How might good practice in risk management and risk taking be amplified across government to improve outcomes, service delivery and value for money?**

In this study, we define **risk** in the public sector environment as something happening which may have an impact on the achievement of government objectives. These risks can, therefore, represent hazards, uncertainties or opportunities.

We define **risk management** as the culture, processes and structure that are directed towards effective management of potential opportunities and threats to the organisation achieving its objectives.

The purpose of this questionnaire and how it fits in with the NAO study

The purpose of this questionnaire is to obtain information to provide an overview of the extent and practice of risk management across government departments, agencies and non departmental public bodies. This will include how risks are identified and assessed and what mechanisms are in place to manage risks across all of the organisations' activities, not just at project or programme level. The results of this questionnaire will be used to highlight current practice and identify good practice. The study is timed to be delivered in July 2000 when departments will be assessing and developing risk management frameworks in order to make public their framework and procedures used for reaching decisions of the risk for which they are responsible, by September 2000. The output of this study will lend support to this process and assist managers with preparing their frameworks for managing risk in a way that fits the operating style of their organisation and builds on good practice and practices already in place in the organisation.

The study is seeking to establish the extent to which risk and risk management in government extends beyond the traditional boundary of financial risk or fraud. The questionnaire is, therefore, designed to identify the extent to which organisations identify, assess, manage and report on risk across the whole organisation, covering all aspects of risk - business, financial, operational and compliance risks to name a few categories - linked to the achievement of the organisation's objectives.

Format of questionnaire

The questionnaire is structured in the following sections:

1. Objectives of the organisation

2. Understanding risk and risk management

3. Risk identification, assessment and analysis

4. Management, monitoring, review and reporting of risk

5. Organisation and culture

6. Components of risk management

A guide for respondents completing this questionnaire

- PLEASE COMPLETE THE QUESTIONNAIRE ON BEHALF OF YOUR ORGANISATION. To complete the questionnaire it may be necessary to seek views from colleagues in your organisation.

- No identifiable individual responses collected under this questionnaire will be disclosed in the study, unless we have obtained the consent of the responding organisation.

- This questionnaire should take about an hour to complete. A number of different approaches are used in the questions, as follows:

Most questions are answerable with a tick response. For example:

What types of risk does the organisation identify ...	**Tick all that apply**

Some of the questions have a scale asking for the extent to which a statement applies to your organisation. For example:

	Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree
A common definition of risk management is used throughout the organisation	☐	☐	☐	☐	☐

Finally, some questions invite a brief text response.

- Please send the completed questionnaire in the return envelope provided by **MONDAY 21 FEBRUARY 2000**.

- We may be contacting you after we have received your response to the questionnaire, to clarify or discuss your response.

If you have any questions about completion of this questionnaire you may contact Chris Groom at the National Audit Office (0207 798 7941 (GTN 3935)) or Jed Turnbull at PricewaterhouseCoopers (0207 213 8486).

Your contribution is much appreciated.

Questionnaire

Section 1 - Objectives of the organisation

In this section the questions relate to the overall objectives of the organisation, whether established through a Public Service Agreement or Corporate/Business plan and the extent to which these objectives are clear and communicated. In addition there are questions associated with the risk management objectives; that is how the organisation sets out why it takes risk and why risk management activities are undertaken.

1.1	The organisation's overall aims are clearly set out and published in a manner that can be understood easily by executive management (eg in a Public Service Agreement/Corporate Plan)	❑ Yes	❑ No	❑ Not sure

		Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree
1.2	The relative priority of the organisation's business and policy objectives are set out	❑	❑	❑	❑	❑
1.3	The aims and objectives of the organisation are clearly communicated to all staff throughout the organisation	❑	❑	❑	❑	❑
1.4	Staff, throughout the organisation, understand how the aims and objectives of the organisation link to those of their individual unit/area	❑	❑	❑	❑	❑
1.5	Staff understand how the organisation's aims and objectives link to their personal objectives	❑	❑	❑	❑	❑
1.6	There is at least an annual process of reviewing the link between the organisation's aims and objectives, and staffs' personal objectives	❑	❑	❑	❑	❑
1.7	Effective risk management is important in the achievement of the organisation's objectives	❑	❑	❑	❑	❑
1.8	Risk is looked upon as an opportunity as well as a threat by the organisation in the achievement of its objectives	❑	❑	❑	❑	❑
1.9	The organisation's risk management objectives have been clearly set out	❑	❑	❑	❑	❑
1.10	If so, what are they?					

Section 2 - Understanding risk and risk management

In this section the questions are aimed at establishing what is meant by risk, how the organisation determines and communicates its approach to risk management, in order that risk management is clearly understood, and how risk management is incorporated into existing management processes.

2.1 A common definition of business risk is used throughout the organisation
❏ Yes ❏ No ❏ Not sure

2.2 What does the organisation understand by the term 'business risk'?

2.3 What does the organisation understand by the term 'risk management'?

2.4 In what areas of activity is risk management undertaken?

	Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree
2.5 There is a common understanding of risk management across the organisation	❏	❏	❏	❏	❏
2.6 There are clear management statements on risk management in the organisation	❏	❏	❏	❏	❏
2.7 The responsibility for risk management is clearly set out and understood throughout the organisation	❏	❏	❏	❏	❏
2.8 The accountability for risk management is clearly set out and understood throughout the organisation	❏	❏	❏	❏	❏
2.9 Managing risk is important to the performance and success of the organisation	❏	❏	❏	❏	❏

Section 3 - Risk identification, assessment and analysis

This section seeks to establish how risks are identified, measured and prioritised and the responsibilities for these activities.

	Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree
3.1 Changes in risks are recognised and identified when the organisation's roles and responsibilities change	❏	❏	❏	❏	❏
3.2 The organisation identifies the main potential risks relating to each of its declared aims and objectives (e.g. as set out in the PSA/Corporate Plan)	❏	❏	❏	❏	❏

3.3 What types of risk does the organisation identify...	**Please tick all that apply**
a) Strategic risk, e.g. risks arising from policy decisions	❏
b) Opportunity risk, e.g. the risk of missing opportunities to improve on delivery of the organisation's objectives	❏
c) Risks arising from pilot projects, e.g. risk of not learning from pilots	❏
d) Reputation risk, e.g. risk of damage to the organisation's credibility and reputation	❏
e) Financial risk, e.g. risks arising from spending on capital projects	❏
f) Operational risk, e.g. risks associated with delivery of public services	❏
g) Project risk e.g. risks of introducing new systems	❏
h) Compliance risk, e.g. the risk of failing to meet government standards/laws and regulations	❏
i) Risks arising from new ways of working, e.g. joined-up working	❏
j) Risks facing the public which fall within your organisation's area of responsibility	❏
k) Other (please specify)	❏

3.4	Please tick who has responsibility for: 1. Identifying and 2. Assessing risks facing the organisation	**1.** **Identifying**	**2.** **Assessing**
a)	Chief Executive/Director	❑	❑
b)	Board / Management Team	❑	❑
c)	Director of Finance	❑	❑
d)	Internal Audit	❑	❑
e)	Risk manager	❑	❑
f)	Line managers	❑	❑
g)	All staff	❑	❑
h)	Other (please specify)	❑	❑

3.5   How does the organisation record the risks it has identified, e.g. risk register, risk database?

3.6   What are the top three risks that could threaten achievement of the organisation's main objectives over the next 12 months?

1.

2.

3.

3.7   What opportunities exist for the organisation to fulfil or exceed delivery of its objectives over the next 12 months?

1.

2.

3.

		Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree
3.8	The organisation finds it difficult to prioritise its main risks	❏	❏	❏	❏	❏
3.9	The organisation finds it difficult to assess the likelihood of risks occurring	❏	❏	❏	❏	❏
3.10	The organisation finds it difficult to assess the potential impacts of risks materialising	❏	❏	❏	❏	❏

3.11   How often does the organisation assess the overall risks to the achievement of its objectives?

		Please tick all that apply
3.12	The organisation measures its risks in terms of ...	
a)	Financial impact	❏
b)	Reputation impact	❏
c)	Likelihood of occurrence	❏
d)	Achievement of objectives	❏
e)	Other (please specify)	❏

		Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree
3.13	The organisation knows about the strengths and weaknesses of the risk management systems of other organisations it works with	❏	❏	❏	❏	❏

3.14   In the organisation, what tools and techniques are used to assess risks?

		Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree
3.15	The following stakeholders are important when assessing risks facing the organisation ...					
a)	Minister	❏	❏	❏	❏	❏
b)	Customer	❏	❏	❏	❏	❏
c)	Industry	❏	❏	❏	❏	❏

		Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree
d)	Taxpayer	❑	❑	❑	❑	❑
e)	Parliament	❑	❑	❑	❑	❑
f)	Employee	❑	❑	❑	❑	❑
g)	Other (Please specify)	❑	❑	❑	❑	❑

		Increased	Decreased	Not changed	Not sure
3.16	In the last five years the level of risk faced by the organisation has	❑	❑	❑	❑

Section 4 - Management, monitoring, review and reporting of risk

In this section the questions seek to establish how organisations address or manage their risks and how the management activities and the risks are monitored and reported upon.

		Strongly disagree	Disagree	Neither agree not disagree	Agree	Strongly agree
4.1	The organisation collates risks for decision making on what actions to take	❏	❏	❏	❏	❏

		Make decisions 1	Monitor and Report 2
4.2	Please tick those who (1) **make decisions on how to address** the risks which the organisation faces, and (2) who **monitors and reports** on risk		
a)	Chief Executive/Director	❏	❏
b)	Board/Management Team	❏	❏
c)	Director of Finance	❏	❏
d)	Internal Audit	❏	❏
e)	Risk Manager	❏	❏
f)	Line Manager	❏	❏
g)	All staff	❏	❏
h)	Other (please specify)	❏	❏

		Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree
4.3	The organisation's response to risk includes ...					
a)	An evaluation of the effectiveness of the existing controls and risk management responses	❏	❏	❏	❏	❏
b)	Action plans for implementing decisions about identified risks	❏	❏	❏	❏	❏
c)	An assessment of the costs and benefits of addressing risks	❏	❏	❏	❏	❏
d)	Prioritising of risks that need active management	❏	❏	❏	❏	❏
e)	Other (please specify)	❏	❏	❏	❏	❏

		Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree
4.4	The organisation monitors and reviews the risks in the achievement of its objectives	❑	❑	❑	❑	❑
4.5	The organisation has procedures for reporting risks	❑	❑	❑	❑	❑
4.6	Changes to the organisation's risks are identified, assessed and reported on an ongoing basis as to their impact on objectives	❑	❑	❑	❑	❑
4.7	The organisation finds it difficult to monitor changes in the profile of risks it faces	❑	❑	❑	❑	❑
4.8	The organisation has a clearly defined policy and process for the reporting of changing risks, incidents and control failings as they occur	❑	❑	❑	❑	❑
4.9	This organisation routinely reviews the effectiveness of the controls in place to manage risks	❑	❑	❑	❑	❑
4.10	The organisation's risk management procedures and processes are documented and provide guidance to staff about managing risks	❑	❑	❑	❑	❑
4.11	Monitoring the effectiveness of risk management is an explicit integral part of routine management reporting processes	❑	❑	❑	❑	❑
4.12	Managers in the organisation understand the risks faced by the organisation which they are responsible for managing	❑	❑	❑	❑	❑
4.13	The importance of risk management and control has been communicated throughout the organisation	❑	❑	❑	❑	❑
4.14	The organisation's executive management regularly reviews the organisation's performance in managing its business risks	❑	❑	❑	❑	❑
4.15	The organisation has assessed the need for the use of internal capability for monitoring and review of risks	❑	❑	❑	❑	❑

		Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree
4.16	Internal audits report to senior management on all types of risks	❏	❏	❏	❏	❏

		Improved	Worsened	Not changed	Not sure
4.17	In the last five years the organisation's risk management procedures have ...	❏	❏	❏	❏

Section 5 - Organisation and Culture

The following questions relate to the culture of the organisation and the degree to which policies and procedures support risk and risk management.

		Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree
5.1	The organisation's structure supports effective risk management	❑	❑	❑	❑	❑
5.2	The organisation's culture supports effective risk management	❑	❑	❑	❑	❑
5.3	The organisation is over controlled for the risks it faces	❑	❑	❑	❑	❑
5.4	The organisation supports taking risks to achieve objectives	❑	❑	❑	❑	❑
5.5	The organisation supports innovation to achieve objectives	❑	❑	❑	❑	❑

5.6   What prevents the organisation taking the risks it wishes to in order to achieve its objectives?

5.7	Management have received training in ...	**Please tick all that apply**
a)	Risk management strategy	❑
b)	Risk management processes	❑
c)	Risk taking	❑

		Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree
5.8	Reporting and communication processes within the organisation support the effective management of risk	❑	❑	❑	❑	❑
5.9	Reporting and communication processes between staff in the organisation and its top management support the effective management of risk	❑	❑	❑	❑	❑

continued ...

		Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree
5.10	The organisation's senior management is receptive to all communications about risks, including bad news	❑	❑	❑	❑	❑
5.11	The organisation's code of conduct is clear in guiding staff actions in relation to the management of risk	❑	❑	❑	❑	❑
5.12	The organisation knows how much risk it may take in the achievement of its objectives	❑	❑	❑	❑	❑

		1	2	3	4	5
5.13	Overall, does the organisation regard itself as having a risk taking or risk averse culture? (from 1: risk taking to 5: risk averse)	❑	❑	❑	❑	❑

5.14 What are the three main barriers to the organisation being effective at managing risks ?

1.

2.

3.

5.15 What incentives could be introduced to encourage well thought through risk taking within the organisation?

		Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree
5.16	HR (and/or Personnel) systems support risk management through inclusion of risk management in:					
a)	Personal performance assessment (objectives and performance reviews)	❑	❑	❑	❑	❑
b)	Induction training	❑	❑	❑	❑	❑
c)	Ongoing personal skills training	❑	❑	❑	❑	❑
d)	Disciplinary procedures	❑	❑	❑	❑	❑

Section 6 - Components of risk management

Which of the following components of risk management are effective in the organisation?

1. Please tick if not in place
2. If in place, please tick to indicate the effectiveness of the components of risk management in the organisation

	Very Effective	Effective	Neither effective nor ineffective	Ineffective	Not applicable	Not in place
Executive sponsorship and focus	❑	❑	❑	❑	❑	❑
Effective culture and organisation	❑	❑	❑	❑	❑	❑
Clear link of risks to corporate aims and objectives	❑	❑	❑	❑	❑	❑
Line management ownership of risk management	❑	❑	❑	❑	❑	❑
Link of risk management to individual performance appraisal	❑	❑	❑	❑	❑	❑
Appropriate use of risk recording tools	❑	❑	❑	❑	❑	❑
Risk priorities identified	❑	❑	❑	❑	❑	❑
Clearly defined and communicated policies, procedures, systems and internal controls	❑	❑	❑	❑	❑	❑
Regular risk management reports to senior management	❑	❑	❑	❑	❑	❑
Appropriate training on risk and risk management	❑	❑	❑	❑	❑	❑
Internal audit assessment and monitoring of all risks faced by the organisation	❑	❑	❑	❑	❑	❑
Quality reporting using key indicators informing the organisation of risk management issues and emerging trends	❑	❑	❑	❑	❑	❑

7.1   If you have examples of how good risk management practice has worked in your organisation which you think might be useful for the NAO's study, please tick here ☐

Please tell us briefly about this here:

7.2   If your organisation has reviewed its risks and risk management processes in the last 12 months, please tick here ☐

Please tell us briefly about this here:

THIS IS THE END OF THE QUESTIONAIRE: THANK YOU FOR YOUR TIME AND THE INFORMATION YOU HAVE PROVIDED

PLEASE RETURN IN THE REPLY ENVELOPE BY CLOSE MONDAY 21 FEBRUARY 2000