

Managing risks in government

By following our six principles, organisations can move their risk management arrangements from a process-led approach to one which supports the efficient and effective delivery of services.

Is risk management relevant to you?

Well run organisations we audit use risk management actively as a key driver in achieving value for money. Their boards are confident that risks are being managed appropriately and they take decisions based on good quality information without being overly optimistic. However, there are still lessons to be learned and opportunities for improvement in many government organisations. *Managing risks in government* brings together what good looks like; outlining the core principles underpinning effective risk management to help you develop further your organisation's risk management.

When to talk to us about risk management

Boards and sub-committees can use the principles and questions provided in *Managing risks in government* when revisiting risk management arrangements and the risk register, for example as part of an annual review. Boards, audit committees and risk committees should use these principles and questions to challenge the extent to which their organisations have gone beyond following a process to using the information to manage risk actively to best effect.

If you would find it helpful, please contact your client lead at the NAO to discuss further.

How can effective risk management help you?

Based on our findings and examples of good practice in 15 departments, three other government organisations and the private sector, we have developed six key principles which underpin effective risk management.

By following these principles, we expect government organisations will be able to secure the following benefits:

- an improved likelihood of meeting aims and objectives;
- more consistent decision-making based on good quality information;
- clear lines of accountability;
- avoidance of costly mistakes;
- improved value for money by reducing costs in a structured way whilst maintaining high quality services; and
- the ability to respond to change.



1 Board engagement

An engaged Board focuses the business on managing the things that matter.

2 Proportionate responses

The response to risk is most proportionate when the tolerance of risk is clearly defined and articulated.

3 Accountability

Risk management is most effective when ownership of and accountability for risk is clear.

4 Good quality information

Effective decision-making is underpinned by good quality information.

5 Evaluation & Costing

Decision-making is informed by a considered and rigorous evaluation and costing of risk.

6 Lessons learnt

Future outcomes are improved by implementing lessons learnt.

Case studies

Good practice example 1

Why ensuring effective decision-making is underpinned by good quality information (Principle 4) will help.

The Department for Business, Innovation and Skills'

Management Board and Audit and Risk Committee have requested changes to the format and timing of reported information so that it is easier to understand and facilitates a full discussion of priority risks at meetings. Members had previously commented that the RAG risk reporting system was confusing as traffic lights mean one thing when it comes to monitoring performance against targets but another when it comes to management of risks.

The Department's internal audit has since commented favourably "They are talking more about risks and their implications independently from the process behind it as part of their routine operations and relations with stakeholders".

Good practice example 2

Why ensuring decision-making is informed by a considered and rigorous evaluation and costing of risk (Principle 5) will help.

HM Revenue and Customs identified the key risks to its strategic objectives as part of its preparations for the Spending Review. The Department examined the actions that would mitigate these risks and calculated the profile of costs of the mitigating actions over time.

The costs of the mitigating actions formed part of the Department's submission to HM Treasury, and the Department believes that this information helped it to secure the funding required to manage some of its key risks.



Find out more

Contact your client lead for more information or you can download *Managing risks in government* from:

[www.nao.org.uk/
financial-management](http://www.nao.org.uk/financial-management)

Our role

The National Audit Office exists to provide independent opinion and evidence to assist Parliament in holding the Government to account.

We can only do this effectively if we retain our ability to comment objectively and independently on what government does, and we cannot therefore act as an adviser on specific decisions the Government takes. We can, however, reasonably and helpfully point out what we understand to be principles of good practice in particular areas.