

# Risk Management: The Role of Internal Audit

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**Public services are struggling  
to modernise....**

**but are we part of the solution  
or part of the problem?**

# Part of the Problem

- × Working in a comfort zone
- × Lacking visibility
- × Disengaged
- × Tolerated rather than admired

# Part of the Solution

- ✓ Focused on what the organisation is trying to achieve
- ✓ High profile with leaders and influencers
- ✓ Recommendations which have impact
- ✓ Valued because we add value

# Focusing on Risk Management

- ✓ Clearly a Board/senior management responsibility
- ✓ Easy to 'sign up' in theory, much more difficult to implement in practice
- ✓ How can internal audit help?

# Finding the Adding Value Zone



Objective and independent



Ideas, creativity, innovation,  
adding value



Responsible for risk management  
and managing risks



# Asking the Right Questions

- Is the approach systematic? Does it apply throughout the organisation?
- Is it embedded? Do the people who are doing it understand it?
- Is it identifying all of the important risks? Are we thinking 'outside the box' as well as inside the organisation?
- Are risk management/mitigation strategies actually being implemented?
- Are the right people doing the right things? Are the Board and the senior managers really owning the risk management process?

# Beware the Domino Effect

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# Big Risks

- Major IT implementations
- Professional Services
- High Profile Services
- Disaffected employees and customers
- Significant commercial judgements

# Hard Lessons from the UK

- × Group 4
- × Railtrack
- × Scottish Qualifications Authority
- × Passports Agency
- × Millennium Dome

# Risk Management in a Public Sector Context

- A changing landscape
- Increased transparency
- Increased exposure to the private sector
- Greater citizen expectations
- Stronger inspection of services
- More performance indicators
- More choice?

'Reputation' becomes more tangible – 'managing reputation' becomes vital aspect of strategic risk management in the public sector

# Internal Audit – Adding Value

- ✓ Developing real expert skills
- ✓ Helping the organisation to answer the key questions eg facilitating a Board discussion
- ✓ Exposing the organisation to good and bad practice elsewhere
- ✓ Encouraging/facilitating emergency planning

**What are the strategic risks  
facing your organisation?**