

10 Steps TO BETTER RISK MANAGEMENT



Governments operate a huge variety of programs to serve their residents, clients, ratepayers, and more. Such a wide range of activities means governments are also exposed to a wide, highly variable range of risks. While it would be nice to be able to completely and permanently address each of these risks, that isn't feasible in the real world. Instead, governments must manage their risks in a way that is based on clear rules and policies that can be reliably implemented by their employees. Here we outline ten steps to a better risk management program.

1 Identify your risks. Governments can be exposed to a broad spectrum of risks. In this case, the first step really is admitting you have a problem (or a risk). Take time to review each of your government's programs and note down possible risks, no matter how unlikely. Don't forget to consider cross-program risks as well.

2 Get eyes on your risks from departmental staff. As a central function that touches all parts of the government, finance is well placed to identify risks—but you should have relevant staff review your risks as well. They may point out some you missed. If you have an internal audit function, this is also a place to pull them in (or just review their reports).

3 Assemble a team. Risk management is everyone's job. A team from other central and operational departments needs to oversee your organization's risk management program to make sure it's actually carried out. Look for people who are interested in or close to the major risks for each department,

and who have demonstrated the willingness in the past to adapt to new circumstances—because risks are always changing.

4 Evaluate the risks. Now that you've identified your organization's risks and assembled a team to address them, you need to figure out how likely any of those risks are to actually happen (likelihood) and how serious it would be if they did (magnitude). You may already have data at your disposal, including insurance claims, injury reports, wildfire or flood risk maps, and the like.

5 Develop risk treatment strategies. Now it's time to decide how to deal with each risk. At a high level, there are five different ways to deal with a risk: avoid (stop providing the service associated with the risk); accept (set aside reserves to cover the consequences); reduce (make changes to minimize the likelihood and/or magnitude); share (pool risks with other organizations); or transfer (take out insurance).

6 Apply the treatments. Deciding on treatments is the easy part; applying them can be difficult.

Any changes to programs or policies will require buy-in from the managers and staff running those programs. Be open to any suggestions or modifications they may have, and communicate the rationale behind any changes and the importance of their role in managing risk for the organization.

7 Develop a risk management program. Your risk management team should also set policies and procedures for the risk management function. These should lay out the goals of the program and identify the people responsible and the principles they should follow in making decisions.

8 Communicate. Maintain communication at all levels of the organization, at all stages of risk management—identification, evaluation, and treatment. Staff need to be aware of what changes are coming and what their role is in the risk management program.

9 Keep people engaged. Don't let your risk management function become a binder that sits on a shelf. Risk management is a 24/7/365 activity, and staff need to be aware that it's part of their day-to-day job as much as providing services is.

10 Review your program regularly. You can't just "set it and forget it." Your risk management team needs to review the program regularly. If you implement changes in one year to reduce risk, go back to the data a year later and see if those changes are working. 