



Risk assessments: A waste of time or a best practice?

- **The benefits of assessing risks far outweigh the costs.**
- **Risk assessments enhance employee training and aid in streamlining business activities.**
- **Performing formal risk assessments sends a message to the public, employees and auditors that the agency takes its stewardship responsibilities seriously.**

We and everyone around us are constantly juggling multiple priorities. As you sustain this delicate balancing act, taking time to analyze program risk exposures might seem difficult to justify. Risk assessments sound far-off and academic, while we are all trying to just handle today's problems.

This is a reasonable concern. However, in fact, performing risk assessments is a best practice. Documenting a risk assessment takes some time, coordination, and patience, but in the end you will find that the benefits far outweigh the costs.

Risk assessments are an important tool for management. They offer assurance that appropriate internal controls are in place or, on the other hand, identify control weaknesses or gaps that need attention. Uncorrected weaknesses often have long-term negative consequences, such as theft, fraud, or damage to an organization's reputation.

Because formal risk assessments include process documentation, they are excellent employee training tools. Once employees understand the risks within their areas, they can better see how the control procedures they perform are critical to the ultimate success of the service or program.

Performing a risk assessment also saves time and money by allowing you to prioritize. All risks and control activities are not equally important. In a budget conscious environment, prioritizing key risks helps management concentrate on critical control activities and provides a

roadmap for eliminating redundant or less important controls, if necessary. As a result, risk assessments can aid in streamlining business activities.

Finally, performing formal risk assessments demonstrates management's commitment to competence. It sends a message to the public, employees, and auditors that the agency takes its stewardship responsibilities seriously.

Formally evaluating risks is easier than you think. You do many of the risk assessment steps anyway, while anticipating and resolving everyday business problems. The formal risk assessment process builds on this knowledge to uncover potential problems, improve controls, and create a sound management environment.

Suggested Action Steps: Review the new risk assessment guidance from the Internal Control and Accountability Unit at <http://mn.gov/mmb/internalcontrol/internalcontrolframeworkandtools/riskassessment/>. Make plans to begin performing risk assessments on your organization's key services and programs.

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