The Absolute Necessity of Risk Register Quality

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1. Introduction

With large amounts of material being fed into risk databases by a growing number of people, often not specialists at risk thinking, often with more important work tasks, and without the skill and guidance needed to do something that may be complex, it is not surprising that the resulting risk registers may sometimes be sub-optimal. Clear, rigorous, reliable and transparent risk information will instil confidence in regulators, investors and other stakeholder.

Occasionally the risk assessment process creates risk registers that are almost unusable and lacking in credibility. In some cases, months or even years of work are needed to reorganise and clean up the material, then rebuild its reputation.

The introduction of risk management software also requires that the risk information has a consistency and integrity to ensure that the software can generate valuable outputs. That information primarily originates from risk registers and will have to meet a minimum standard or data integrity risks can result if the source data is poorly crafted.

In an effort to improve the quality and standing of risk registers within the organisation it is necessary to constantly review the available risk registers to provide detailed, educational feedback to authors of risk registers that enables them to improve their content and write better material in future. This would formulate a basis for future improvement initiatives and create reliable risk information that can form the basis of risk based decisions and improved governance.

2. Rationale

When risk registers become more widespread and numerous, more and more people are pulled in to write content for them. Where a short list of 'risks' might once have been written primarily by one person (with suggestions from others perhaps), it becomes more likely that several people will be writing items, perhaps separately and from their different perspectives.

Confusing and inconvenient inconsistency is a potential problem when this happens. Even putting people into one room for a workshop does not entirely eliminate the problem of different perspectives because people are usually asked just to suggest 'risks', without due regard for the perspective that led to their suggestion or following a common consistent process that enables proper context setting ahead of their completion. The two diagrams below illustrate this anomaly which is a feature of many risk assessments and result in sub-optimal risk outputs in the registers.

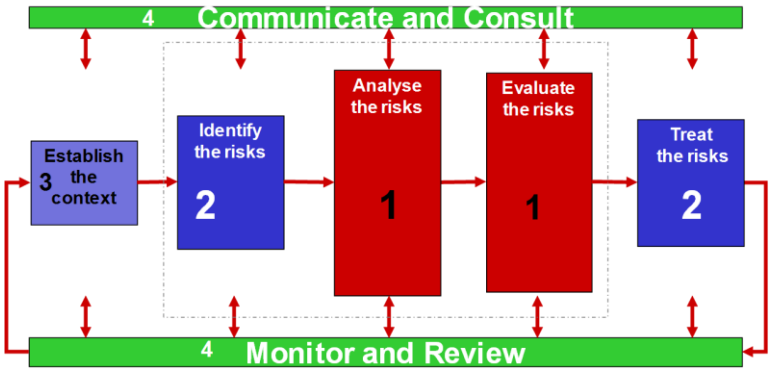

Figure 1: The way that risk assessments are usually done.

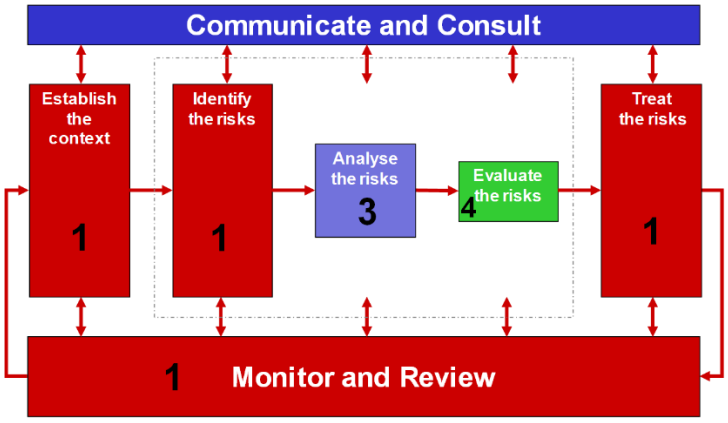

Figure 2: The risk assessment process as it should be.

In addition, the writers and contributors of 'risk' ideas today are less likely to be risk specialists, which can lead to technically mistaken content such as risk factors confused with 'risks', causes and impacts being mistaken as risks, inaccurate risk-to-control mapping and control definitions that are captured as control failings.

In most risk registers there is scope for worthwhile improvement in content quality. Low quality content means that time is wasted on:

- confused, protracted discussions in risk register meetings that go nowhere because the thinking is just too vague;
- unnecessary mental effort every time someone has to read or revise any of the text because of the ambiguous wording and defective logic;
- enquiries to establish what risk and control descriptions mean so that they can be summarised for reporting; and
- resolving problems resulting from control weaknesses being obscured by unclear wording and ubiquitous logical flaws.

Another major factor is that writing risk register content is intrinsically difficult to do well. There are many alternative ways to structure uncertainties into a list or other risk model. When one attempts to do it rigorously the register and its content can rapidly become too complex to manage. In addition, developing quality risk register content may not be a priority for many writers and contributors to risk registers and they may lack the skills, time and impetus needed to reorganise and rewrite the existing material.

3. Evaluation criteria

Evaluating the quality of risk registers is not a well-established practice yet and in reviewing risk register quality it is difficult to comprehensively and discretely evaluate and record all of the weaknesses that prevail. The aspects of the registers and the criteria that could be applied during an evaluation of risk register quality are described below.

3.1 Administration

Business units should review their risk registers on a regular basis as a minimum and communicate changes and emerging risks with the risk management unit. In order to coordinate, record and manage the various risk registers that are developed, as with any legal/official document that the risk registers should be seen as, document control also becomes key and the following administrative aspects should therefore form part of an evaluation.

Version: To maintain an accurate record and assist in version control, the registers should clearly record and indicate the document version.

File names: The filename should clearly indicate the document type, the name of the business unit, date of assessment/ review.

Date: The date of the assessment and the completion date of the particular risk register.

Compiler: The name, position and contact details of the compiler.

Contributors: The names and position of the participants and contributors to the compilation of the register should be provided.

3.2 Structure

Consolidating, coordinating, summarising and reporting on risks requires the use of consistent and uniform risk registers.

Context: Context setting should be conducted and recorded in the risk register. Any information relating to context setting should be included, including stakeholders, internal and external factors.

Objectives: The strategic and operational objectives of the unit should be recorded and clearly linked to risks.

Standard template: Standard templates for the risk register should be utilised with no deviations. Have any of the headings been amended?

Order: Is there a particular order or groupings in which the risks have been listed/recorded? There should be evidence of a logical flow to provide assurance that all areas of the unit have been consistently covered.

3.3 Content

The quality and consistency of the text in the register should be evaluated according to these criteria:

Clarity: Which events are included within each risk register item? What actions are referred to?

How much evidence supports ratings? Is there somewhere that the evidence supporting risk assessments can be referred to?

Is the risk properly recorded as “something happens, caused by, leading to?’’

Suitability: Does the content make reference to the correct risk aspects? There are many points that can be looked at, for example:

- Does the content focus too much on internal mistakes and not enough on outside influences, or vice versa?

- Do the actions include learning more about the risks or is it usually assumed that there is nothing more to know?
- Is it clear that even without audit work that the controls described are not an accurate reflection of reality?
- Are new, good ideas for risk control flowing from the process of writing the register?
- Have authors slipped into the ploy of writing words that amount to "*Our objective is to X; the risk is that we fail to achieve X; so our action is to do X.*"
- Are Impact and Likelihood evaluations reasonable or do they show poor calibration?
- How much of total risk is captured by the register?
- Are controls appropriately mapped to risks?

Consistency: Are the registers from different teams compatible and do they make sense when read together?

- Are the risk register formats used similar, or at least designed so that their outputs are compatible with each other and/or with requirements for central summarising?
- Is terminology consistently used?
- Is there a way to capture links between risks and understand how risks could occur together?

Conclusion

In order for risk management officers to get risk registers to an adequate level so that sufficient reliance can be placed on their content, substantial awareness and skills level training is required. This would allow the risk management unit to facilitate the consistent consolidation, aggregation, monitoring, improvement, reporting and oversight of risks and risk management matters within the organisation.

The consequences of poorly developed and written risk registers can be seen in numerous examples of failed projects, damaged corporate reputations and dissatisfied stakeholders, both in the private and public sectors. Risk registers assist organisations in supporting their objectives and the risk register is an important assurance tool.

Each year we see events that demonstrate that South Africa's public sector and its enterprises, regardless of type, are not immune to the consequences of poor risk management. These events suggest current approaches to risk management may not be as developed as they could be.

The ramifications are varied, but include loss of reputation, productivity and financial loss, death and injury, and prosecutions through our judicial system. All of these aspects have to be covered and evaluated through a consistent and robust application of risk assessments and risk registers.