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| **INTERNAL CONTROLS NEWSLETTER** |
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**Assessing and Managing Risks**

In my previous newsletter, we discussed Information and Communication – which need to operate throughout the Agency in order for Internal Controls to be effective. Now we’ll move on to the next component of Internal Control – Assessing and Managing Risks.

Assessing risk is a process where we identify, analyze and manage risks relevant to the goals of the Agency. Risk can be internal or external, and they are events or circumstances that can adversely affect the Agencies operations. Once we identify risks, we need to determine how to manage these risks.

**Risk Identification**

Risk Identification is the process of identifying risks that could prevent the Agency from achieving its goals. In order to identify risks, ask yourself the following questions:

* What obstacles could stand in the way of achieving our objective?
* What could go wrong?
* What is the worst thing that could happen, and has happened?

Asking and answering these questions can assist in the identification of risks.

**Risk Analysis**

After identifying risks, we need to evaluate the risks. We need to take into consideration the likelihood of the event, and the impact of the event. If an event is highly risky, but very unlikely to occur, we probably shouldn’t spend a lot of time on it. An example of this is worrying about a volcano erupting on our front lawn. If it happened, it would be devastating; however the likeliness of it occurring is probably pretty low, so we shouldn’t waste resources preparing for the event.

**Risk Management**

After risks have been identified and analyzed, we need to determine how to manage those risks. This can be done by performing risk assessments, which will help us to determine if we should:

* accept the risk, and not perform any control activities,
* prevent or reduce the risk, by establishing control activities,
* or avoid the risk, by no longer performing the function that creates the risk.

The evaluation and management of risk is a continual process, and should always be documented. As the ultimate goal of this process is to be as efficient as possible while limiting the risk the Agency takes, we should always be looking for ways to help improve our processes.

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As it relates to Ethics and Integrity as mentioned above, Internal Controls are the responsibility of everyone in the Agency. If you have any questions, concerns or feel that there is an area where controls can be improved – do not hesitate to contact me!

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