

**Figure 12**

**Lessons in the management of risks identified in previous National Audit Office and Committee of Public Accounts reports**

*On realistic business cases*

- Business cases used by public bodies to justify any new computer system should test the likely financial costs of different options on a sufficiently wide range of business volumes, taking account of the impact of any likely changes in policy.<sup>1</sup>
- Pay special attention to the interaction between the new system and those expected to use it, and take into account users' views on the practicability and usability of the new system.<sup>1</sup>
- Public bodies should consider carefully the scale and complexity projects which are too ambitious to undertake in one go. This is particularly important if a project connects with the business operations of other parties, or depends on the development of IT undertaken by other parties.<sup>2</sup>
- Public bodies should have robust forecasting techniques, to enable them to manage their business efficiently.<sup>1</sup>

*On testing and piloting of systems*

- Adequate testing of any new system before committing to live operation, in particular for staff to learn and work the system.<sup>1</sup>
- Pilot tests of any new system which is critical to business performance should be on a limited scale so that any shortcoming do not have a major impact on service delivery.<sup>1</sup>

*On risk-sharing with partner organisations*

- Ensure that they are in a position to claim any compensation due from contractors for failure to meet agreed performance standards, subject to appropriate risk-sharing within the partnership.<sup>1</sup>
- Departments need to be clear about those risks that cannot be transferred to the supplier, in particular, the wider business risks that might mature if they do not have a fully operational system on the date required.<sup>2</sup>
- Important ingredients of successful management of strategic partnerships include active involvement by top management, a recognition that both parties need to secure benefits, active management of the risks associated with this type of procurement approach, and a commitment to resolving issues arising in a positive, constructive manner.<sup>3</sup>

*On risk management and innovation*

- Public bodies should undertake a formal risk analysis before introducing new computer systems and have realistic plans to maintain services to the public if things go wrong.<sup>1</sup>
- It is essential to monitor thoroughly the risks to successful implementation and manage them rigorously.<sup>4</sup>
- Successful implementation of IT systems calls for imagination and well-conceived risk management, as well as sound project management methodologies.<sup>2</sup>
- An overall strategy for managing the risks of fraud should be prepared and reflected in more detailed risk assessments, for areas such as property management.<sup>5</sup>

*On contingency planning and information for the public*

- Public bodies should have contingency plans in place to maintain adequate levels of services. These should take full account of reasonable public expectations of service standards, the likely cost and the level of risk.<sup>1, 2</sup>
- A realistic assessment should be made of whether public bodies have the capacity to deal with potential problems and be prepared to seek early assistance if necessary.<sup>1</sup>
- When service delivery is threatened, public bodies should have the capability to keep the public well informed, so as to avoid unnecessary anxiety and relieve pressure on services.<sup>1, 6</sup>

continued...

**Figure 12****Lessons in the management of risks identified in previous National Audit Office and Committee of Public Accounts reports *continued****On senior management involvement*

- Key decisions on IT systems can have a profound effect on an organisation's ability to provide services to its customers and are therefore business decisions, not technical ones, and should involve senior management. Commitment of senior management can be a critical factor in securing a successful outcome.<sup>2</sup>
- Risk assessment and management should become a routine element of all policy development and implementation. Policy option appraisals should include a section on risks.<sup>4</sup>
- The use of project management and risk management approaches for policy development and implementation may be areas suitable for examination under the peer review process being organised by the Cabinet Office.<sup>4</sup>
- At project level risk assessment and management should encompass a range of features, including that;
  - the risks to achievement in the timescale and budget available be clearly identified from the start of the project;
  - risks be treated as the responsibility of the top level board given the potential impact on the project or on the use of resources;
  - the likelihood and impact of risks be analysed separately, and named individuals be made responsible for mitigating them and reviewing mitigation plans on a regular basis; and
  - when mitigation plans are altered, this fact is reported to the Senior Accountable Officer for the project, and recorded on a simple risk/control matrix so that the impact of multiple, apparently minor, changes in different areas can be seen and understood, and their combined impact assessed and dealt with.<sup>4</sup>

Notes: 1. NAO Report: The United Kingdom Passport Agency: The passport delays of Summer 1999 (HC 812, October 1999).  
 2. Committee of Public Accounts First Report 1999-00 – Improving the delivery of Government IT Projects.  
 3. NAO Report: Inland Revenue EDS Strategic Partnership: Award of New Work (HC 351, March 2000).  
 4. NAO Report: State Earnings - Related Pension Scheme: The failure to inform the public of reduced pension rights for widows and widowers (HC 320, 1999-00).  
 5. NAO Report: Ministry of Defence – The Risk of Fraud in Property Management (HC 469, 1999-00).  
 6. Committee of Public Accounts Seventh Report 1999-00, the Home Office: The Immigration and Nationality Directorate's Casework Programme.

**1.18** In undertaking the examination we:

- carried out a survey, with the assistance of PricewaterhouseCoopers, of all departments, agencies and non departmental public bodies to ascertain their approach to risk management;
- undertook four case studies of innovative examples of risk management adopted by departments;
- conducted structured interviews with senior personnel in twelve departments on their risk management practices;
- organised two focus groups of civil servants who had responsibility for risk management in their departments;