9.3 Cluster 3: Risk management integration with other functions

I) With other organizational functions

Integrating a risk management function with the rest of functions and organizational areas is the key to make the system really embedded into production processes, hence more effective. Moreover, when using separate management systems across different areas of the organization it’s very difficult to make reporting at corporate level. Such an integration occurs both at risk area level (i.e. Strategic risk, Transformation risk, Statistical risk, Project risk, Fraud risk) and at function level (Quality Management, Internal auditing, P&C, ICT, Health & Safety, etc.).

However, an effective integration of a Risk management system implies a compromise, that is, giving up on creating the best risk management system while adapting it, instead, to the actual organizational structure, functions, processes and capabilities. In other words, it is the System that must adapt itself to the organization and not the opposite.

II) With Internal audit

In order to be more effective but also to best show its own potentials, risk management must be integrated with Internal auditing whenever possible. However, to do that the functions of risk management and Internal auditing must be clearly outlined in a whole framework as well as roles, responsibilities and accountabilities. One of the strength in integration is the cyclic hybridization of the two functions and related approaches, for example, using a risk based approach according to audit recommendations to determine priorities of treatment, while making risk treatment monitoring outcomes be reviewed by Internal auditing. In addition, when preparing audit recommendations it’s crucial to periodically rely on risk assessments.

As regards problems, a relevant one is to keep managers’ attention high against Internal auditing assurance on the effectiveness of a risk management system.

III) With Quality management

Risk management must be integrated with Quality management for the following reasons:

- the effectiveness of statistical risk treatment is higher if led by a quality expert team, because their identifying weaknesses in statistical surveys during quality reviews can result in finding potential risks within statistical processes, and then in planning improvements;
- the Quality Sector’s recommendations best organize and prioritize the work of internal auditors and then help improve the overall quality of statistics;
- integration between the two systems is suggested by ISO 9001:2015, where the risk-based approach is considered as a supporting tool for quality improvement;
- definition of risk appetite and risk tolerance depends, among other things, on the kind of statistic outputs.

However, embedding the process of surveillance of quality guidelines into risk management is not always easy, because that depends on ability to persuade production areas that development of the quality gates as a component of the quality system would not be onerous and would add value to their current quality processes.

What not to do:

a) Trying to monitor implementation of quality guidelines on a basis which is too detailed, because quality must be monitored on the whole instead of on a single product or process;

b) Failing either to implement a Risk management system or to integrate it with the quality management system as well as doing it without a clear view of how to do it, or without sound understanding and knowledge of requirements for both systems, or about related standards and their application and – finally – without nominating a coordinator with clear responsibilities for the procedure.

c) Limiting risk management and quality responsibilities to a single office or individual.

[1] According to Australian Bureau of Statistics, quality gates are risk mitigation strategy designed to improve the early detection of errors or flaws in statistical production processes.