

EVALUATING KEY CONTROLS

Risk & Opportunity Management

Measuring control effectiveness

Measuring control effectiveness is difficult for most organisations and what is needed is evidence to prove the controls in place are right for the resources, budget and risk.

A control is something that is currently in place to reduce risk. They have often been brought in as a result of a previous situation or incident. In many cases these situations arise, not because of a lack of controls, but because of a failure of existing controls. So the key to managing risk effectively is to ensure that our controls are effective.

Risk appetite

The Council's Risk Appetite recognises that the appetite for risk varies according to the activity being undertaken and that different appetites and tolerances to risk apply. Risks that are categorised under compliance, regulation, safeguarding, financial and reputation are treated with a higher level of management activity and oversight. The key controls in place to mitigate the risk cause should be evaluated to identify, where possible, appropriate performance measures.

Criticality / Key Control

Not all the controls associated with risks will have the same impact to reduce or maintain the level of the risk. If all of the controls associated with high consequence risks are treated the same, we may commit more resources than are necessary to the assurance function. To that end, assigning criticality to each of the controls will assist in prioritisation and identification of a key control. (Key control = Scored 3 and above)

Criticality Score	Description
5	The control is absolutely critical to the management and reduction of the risk. If this control is ineffective or partially effective, the likelihood and/or consequence of the risk will increase significantly
4	The control is very important to the management and reduction of the risk. If this control is ineffective or partially effective, the likelihood and/or consequence of the risk will increase
3	The control is important to the management and reduction of the risk. If this control is ineffective or partially effective, the likelihood and/or consequence of the risk will increase
2	The control has some impact on the management and reduction of the risk. Depending on the criticality of the other controls, an analysis should be undertaken to determine the necessity of this control
1	The control has little to no impact on the management and reduction of the risk. It is unlikely this control is required.

Examples of key controls

Preventative key controls	Detective key controls	Corrective key controls
Policies and procedures; Authorisation and approval; Staff Training	Reviews of performance; Reconciliations; Audits and investigations; Monitoring	Business continuity plans; Insurance; Disaster recovery plans; Case reviews

Effectiveness

Performance measures are used to assess the true effectiveness of the controls. An example is shown below:-

Risk: Catastrophic material failure of infrastructure

Cause: Lack of/ineffective maintenance

Event: Causes injury or death

Key Controls	Criteria
1. Preventative/routine maintenance program	% of routine maintenance tasks carried out in accordance with designated timeframes
2. Inspections	% of maintenance inspection carried out in accordance with designated timeframes % of issues identified during inspections that are rectified within specified timeframes

Effectiveness of Control 1	Performance
Effective	100% of routine maintenance tasks conducted within designated timeframes
Mostly effective	80-90% of routine maintenance tasks conducted within designated timeframes
Partially effective	50-79% of routine maintenance tasks conducted within designated timeframes
Not effective	<50% of routine maintenance tasks conducted within designated timeframes

Effectiveness of Control 2	Performance
Effective	100% of maintenance inspections conducted within designated timeframes and 100% of issues identified during inspections are rectified with specified timeframes
Mostly effective	80-99% of maintenance inspections conducted within designated timeframes and 80-99% of issues identified during inspections are rectified within specified timeframes

Partially effective	50-79% of maintenance inspections conducted within designated timeframes and anything less than 79% of issues identified during inspection are rectified with specified timeframes
Not effective	<50% of maintenance inspections conducted within designated timeframes and anything less than 70% of issues identified during sections are rectified within specified timeframes.

Providing we undertake the measurement of the controls, we can now provide evidence of effectiveness to management. In doing so, we are providing them with assurance that the risks with the most significant consequences to the Council are being effectively controlled. This level of assurance cannot be provided when control effectiveness is guessed rather than assessed.