

# Saint Paul City Council

## Audit Committee Risk Assessment

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# Definitions

**Risk**: An event or circumstance that, if it occurred, would negatively impact the achievement of objectives. The level of risk is often described in terms of inherent and residual risk.

**Inherent Risk**: The level of risk that occurs inherently (naturally) without considering the mitigating effects of activities that reduce risk (controls). “Gross risk.”

**Residual Risk**: The level of risk remaining after considering the mitigating effects of activities that reduce risk parentheses (controls). “Net risk.”

# Risk Assessment

Risk is usually assessed by considering the **likelihood** of a risk event and the **impact** if it were to occur.

- **Likelihood**: The chance or probability a risk event would occur.
- **Impact**: The degree to which a risk event would negatively affect the achievement of objectives.

# Risk Assessment Concepts

Represents moment in time

Based on information available

Can change based on new information (Dynamic)

Risk categories help ensure all risks are considered

# Potential Risk Categories

To consider when assessing overall risk of a project idea:

- Operational risk
- Financial risk
- Compliance risk
- Reputational risk
- Legal risk
- Cybersecurity risk
- Health/safety risk
- Environmental risk
- Political risk
- Implementation risk

# Risk Assessment Methods

## Quantitative

- Assign risks a numerical score
- More complex, takes longer

## Qualitative

- Ranking without numerical scores
- Simpler and quicker

# Sample Risk Assessment

Preamble: By the very nature of its mission, the University of Minnesota pursues many activities that inherently create risk. It is the expectation that the risks associated with these activities will be mitigated in a responsible and accountable manner. The following principles are intended to provide a framework when assessing individual risk management decisions.

1. High tolerance for mitigated risks in the pursuit of innovative, breakthrough research, scholarship and public engagement.
2. High tolerance for strategic risk-taking that has potential to enhance instructional quality.
3. High tolerance for strategic risk-taking to promote productivity, creativity and reputation.
4. Moderate risk tolerance for rewarded financial risk.
5. Low tolerance for risks posing potential for damage to the University's brand and/or reputation.
6. Low tolerance for risks arising from inappropriate discharge of fiduciary responsibilities.
7. Low tolerance for risks that undermine actual safety, or the perception of safety, on our campuses.
8. Zero tolerance for intentional non-compliance with laws or regulations.

# Proposed Risk Assessment Factors

**Likelihood**: Likelihood that circumstances in project scope are preventing achievement of city objectives. Rank H/M/L.

**Impact**: The degree to which these circumstances are preventing achievement of city objectives. Rank H/M/L.

Resolve ties with forced ranking (pairwise).

**Result**: List of prioritized projects