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MINISTRY of FINANCE of the REPUBLIC of ESTONIA

Risk Assessment in Estonia

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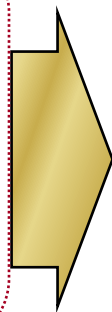
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What are we talking about?

Risk is anything
that will prevent
you achieving your
objectives



Risk assessment

- has 2 levels:
 - audit level
 - organisational level



Risk assessment at audit level

- The risk assessment during the engagement's planning phase is used to further define the initial objectives and identify other significant areas of concern.
- Internal auditors document their risk assessment as part of audit strategy.
- After identifying the risks, the auditor determines the procedures to be performed.

How they do it?

- Methodology used is up to auditor / internal audit unit.
- To identify risks they use:
 - brainstorming
 - interviews
 - check-lists
- and they evaluate risks through
 - likelihood and impact.



Governance, risk management and internal control



Source: “Internal Auditing: Assurance & Consulting Services” Reding, Sobel etc (2009)

Objective, risk, control relationship

1. To know what *risks* are present, you need to understand what *objectives* are being set.
2. To identify and implement the correct *controls*, you must know what *risks* are present.
3. Therefore,



Legal framework

- IIA Standards (regulation of the Minister of Finance)
 - Government of the Republic Act
 - The Government of the Republic regulation *“Types of strategic development plans and rules for their preparing, amending, implementing, assessing, and reporting”*
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- *Emergency situations law*

Guidelines

- Risk Assessment in the Public Sector (2004)
- Risk Management Manual (2011)
- Manual of Assessing the Risk Management process (planned for 2012)

In reality

- Today we have more information about these organisations where internal audit units have been formed.
- Majority of state entities say that they carry out risk assessment at least annually.
- Majority of ministries have created their own methodology for risk assessment process.

Problems

- Little support from managers.
- Not all entities carry out risk assessment.
- Deficiencies in documenting risk assessment.
- Problems of identifying and formulating the real risks.



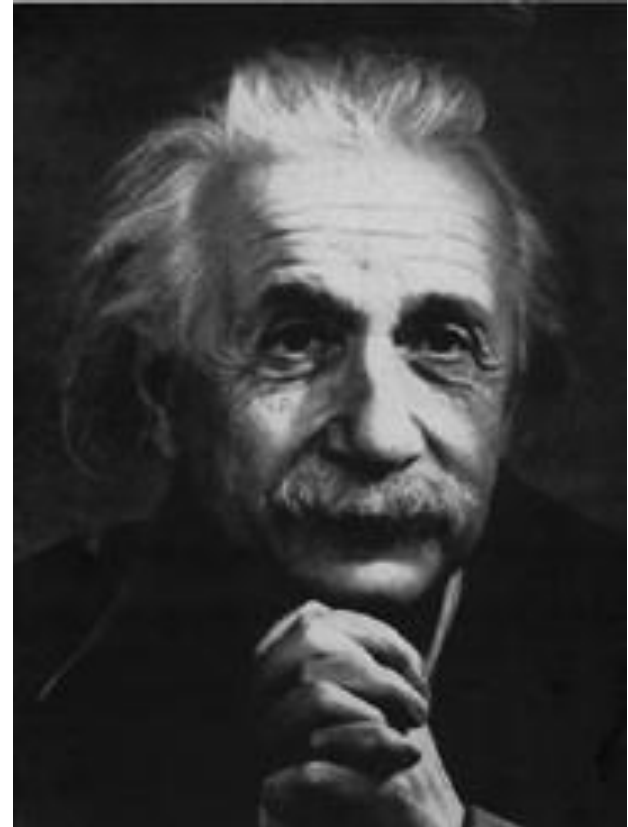
Creativity is needed

- Risk management is in first line work with people! Mathematics, models and procedures are also important, but if people do not understand the nature of risk, these tools will not work.
- Risk is rather an opportunity than faith to accept!



*“Not everything that can
be counted counts, and
not everything that counts
can be counted”*

A. Einstein



Thank you for your attention!

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