



When is a Questionnaire the Answer?

Summary

Questionnaires are becoming more popular in ORM risk assessments. Often the choice for questionnaires is motivated by efficiency requirements. We argue that such an approach is possible, but it needs to be surrounded by a proper set of circumstances, both before and after the actual questionnaire. If that can be achieved, questionnaires are indeed the answer to part of the assessment, particularly when all we want to do is assess the state of a known risk or control. It is, however, asking too much to expect a full risk assessment to be completed without any desk research, discussion, or brainstorming at all.

Dear reader,

Even late starters in the OpRisk world are about to complete their first round of Assessments¹. Many have opted for a rather labour intensive approach, often combining the first round of assessments with general OpRisk awareness sessions. This first round is also typically characterised by a relatively low level of standardisation and automation, relying rather on paper, simple documents and excel sheets using some form of structured interviews plus workshops with a discussion format. Most banks agree that after this first round, a faster, less labour intensive approach is necessary. This approach usually centres on some form of standardised questionnaire. There are four main reasons to support such a new approach:

1. **Speed.** A questionnaire provides faster turnaround times leading to more up to date information. In addition to more up to date information, it also reduces the time spent by the business in assessing the risks. Rather than a one-day workshop, a questionnaire can be completed in less than an hour.
2. **Directness.** In many cases, a questionnaire will avoid endless discussions about who is right and quickly canvasses opinions from the risk owner directly. This is especially relevant in settings where discussions are either dominated by a single participant anyway or in situations where participants are not knowledgeable or motivated to contribute.
3. **Comparison.** Standardised questionnaires allow for comparisons across business units, products, processes and time. By using the same questionnaires in e.g. quarterly assessments, trends can be highlighted and overall ratings across units are facilitated.
4. **Targeted.** Questionnaires can be focused on specific issues but can also be amended easily. A well designed questionnaire can thus be kept brief and to the point and can elicit the required information without pointless discussions.

¹ For OpRisk, the ubiquitous assessments are known as RCSA. RCSA stands for *Risk and Control Self-Assessment* and it comes in many permutations, dropping either the R for Risk, the C for Control or the S for Self. Thus we see RA, RSA, CSA, RA, CA and RCA. For our purposes, all that matters is that A for Assessment is not dropped.



When is a Questionnaire the Answer?

With all these good things in store for a questionnaire based assessment there seems to every reason to opt for that approach. The reality is that there are some pre-conditions that need to be met before such an approach can deliver on its promises. The pre-conditions can be summarised under the headings of simplicity, knowledge, openness and follow-up. We shall briefly examine each of these requirements.

Prerequisites for a questionnaire: Simplicity

Questionnaires come in many different shapes: from highly complex tax returns consisting of many pages with intricate workflows down to basic customer feed-back forms where you tick a box for quality of service. If we want our questionnaire approach to be more efficient, it must be very simple to complete. For our assessments, that actually requires considerable preparatory work by the risk team.

The simplicity in our case demands that the risks, causes and controls that we wish to assess need to be set out in unambiguous terms. This is not nearly as simple as it sounds and requires MECE risks², as well as an accurate list of contributing factors (also referred to as “causes”) and existing controls. Failing to provide that list of risks, causes and controls from the outset turns a simple questionnaire into a creative exercise to achieve completeness. That is not what the questionnaire is for. In order to keep the questionnaire simple, this creative part needs to be completed first through desk research and cross checking against, e.g., audit data and loss incidents.

Prerequisites for a questionnaire: Knowledge

In a workshop setting, the collective wisdom (or lack thereof) of the group can mask the individuals’ level of knowledge. In a questionnaire it is important to restrict the questions to items that the respondents actually know something about. In that sense, it is better to ask for simple facts than for complex solutions. In our case, what we need to find out is quite straightforward: Has the risk environment changed (e.g. processes, systems or controls), and if so in what respect and has the risk level changed?

Limiting ourselves to these kinds of questions makes the best use of the quick inquiry a questionnaire can provide. Trying to expand that to finding the solutions, the required actions, etc, is asking too much. That should be done *based on* the questionnaire, not *within* the questionnaire.

Prerequisites for a questionnaire: Openness

We all know that in a workshop setting, it can be hard to get people to talk openly about actual events, and even a discussion about risks that have not materialised is sometimes met with long silences. It takes a skilled facilitator and the right atmosphere to get people to open up and discuss about sensitive issues and to point out deficiencies. In a questionnaire, there is no hiding behind a

² See GRAS newsletter 22: *Nine steps to making risks MECE*
<http://globalras.com/Topics/Nr%2022.%20Nine%20Steps%20to%20making%20risks%20MECE.pdf>



When is a Questionnaire the Answer?

group and in that sense, in many situations people are even less likely to come forward and have their assessments recorded. Seen from that angle, the questionnaire is best limited to non-controversial topics.

Thus, whether new risks have emerged and asking for possible causes in a bank process is expecting the audience to admit that they are running vulnerable operations. That is not likely to generate many suggestions. Therefore, that is best done prior to the questionnaire. But given the list of risks, causes and controls, asking whether the process containing this risk has undergone material changes is less problematic. Also asking about impact and likelihood estimates is not that controversial. Here, the audience is likely to be much opener since the risk is already given and what is now needed is an opinion on the risk *level* and whether the risk level falls within the risk appetite.

Prerequisites for a questionnaire: Follow-up

As will be clear from the prerequisites so far, an assessment cannot stop at the questionnaire level. No decision on actions and no possible scenarios can be expected to come directly from the questionnaire alone. That requires a discussion between the process owner and risk management. That discussion, however, is helped tremendously by the input provided by the questionnaire. It highlights which controls might be weak, what risks are at an elevated level and which causes are there to be accepted and which need to be reduced. Those are very valuable starting points for a focused discussion on risk.

Conclusion

There are strong arguments for using questionnaires in risk assessments. They are simple, non-intrusive and can be highly standardised. But they are neither the beginning nor the end of the assessment process, although they are a useful step to quickly gather relevant data on where to look for improvements. A questionnaire then, is the answer if it can be wedged between sound preparation and adequate follow-up.