

Risk Management

Presentation to the Nova Scotia
Regional Group of Institute of Public
Administration of Canada (IPAC)

28 March 2007



Why now? – The Drivers

- Scandals (Government & Corporate)
- Accountability & Transparency Issues
- New and Updated Regulatory Requirements
- Federal Accountability Act
 - CFO certification





Why is Internal Audit Involved?

- Audit (Assurance) Services
- Consulting (Advisory) Services
- Facilitation
- Risk Assessment



The Risk Question

Is relevant and reliable internal and external information identified, compiled, and communicated in a timely manner to those who are positioned to act?



What is Risk?

- Simply put “risk is anything that impacts the ability to achieve objectives”
- ...is that your definition?
- More importantly...is this the same definition throughout your Department?
- Given risk is as much about perception as it is about information, being misaligned from the outset may be problematic



Risk Assessment & Risk Management

- **Risk** is the chance of something happening that will have an impact upon objectives
- **Risk assessment** is the overall process of risk identification
- **Risk analysis** is a systematic process to understand the nature of and to deduce the level of risk. (Based on the Consequences and Likelihood of a risk occurrence)
- **Risk management** is the culture, processes and structures that are directed towards realizing potential opportunities whilst managing adverse effects

Risk Management Actions

- Take the right risks
- Reduce likelihood of a risk event occurring
 - Mitigating actions
- Reduce impact (consequences) should it occur
 - Share the risk if possible
- Avoid the risk altogether
- Accept the risk





Example

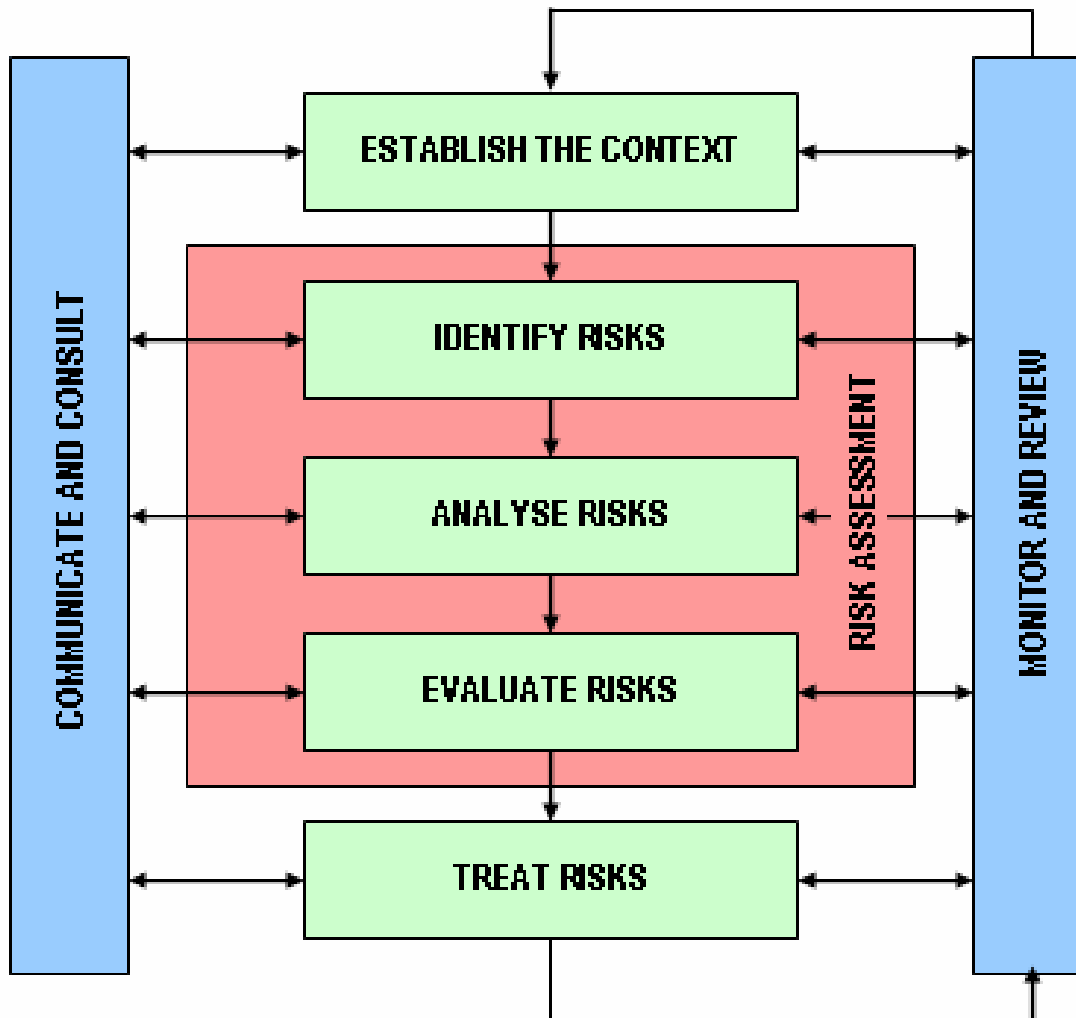
- Risk Assessment and Risk Management are *instinctive* to all of us
- We are simply adding structure via common language and standardized documentation



What is Nova Scotia doing?

- Standardized Risk Assessment by IARMC
 - Overall risk assessment of entity
 - Risk register in dashboard format
- ERM Pilot
 - AU/NZ Model has been selected





Risk Assessment Criteria Example

Risk Criteria		Factors for Consideration
A	Internal Control Environment	Performance information, monitoring, reporting and assessment are sufficient to measure success against goals/objectives or whether goals/objectives need to be reconsidered.
		Follow-up procedures exist and facilitate change or action.
		Management assesses control effectiveness and communicates its accountability.
B	Additional Senior Management Concerns	The public profile and significance of programs in fulfilling ministry/government objectives.
		Findings and scope of previous audits.
		Time elapsed since previous audit.
C	Complexity of Program	Degree of automation of systems.
		Delivery model (centralized vs. decentralized, multi-ministry, contracted delivery agents etc.)
D	Changes in Programs, Systems, Processes or Procedures	Significant changes in mandate and/or programs delivered.
		Turnover in key staff.
		Changes to the organizational structure.
		Changes in automation of systems.
		Business process redesign or changes to program delivery methods.
E	Size of Program/Area	Size of expenditures, revenue, staff, assets and liabilities.
		Potential benefit from savings, efficiency or incremental revenues to government.

Risk Dashboard Example

Relative Risk Criteria Rating

A	B	C	D	E	*Risk Profile

Enter a rating for A through E

Department

Risk = What can happen and how it can happen Assumption + Impact	Average Risk Rating Level 3 or Higher (based on Consequence and Likelihood)	Existing Controls	Risk Analysis after considering controls		Strategies to mitigate unacceptable risk (including internal Audit project request) = Action Plan	Key Stakeholder Involvement Required (indicate lead)
			Effectiveness of existing controls (H/M/L)	Tolerance for risk (Accept/ Not Accept)		

Top Strategic Risks

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Top Operational Risks

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What are Jurisdictions Doing?

- British Columbia & Ontario
- Alberta, Manitoba & Quebec
- Saskatchewan & Newfoundland
- Others
- Nova Scotia





Risk Concerns

- Our risk assessment will be misunderstood, misinterpreted
- It will take too much time and we are too busy
- What about dangers of Groupthink/ watering down
- Should we do this with FOIPOP out there?



Value of Risk Management

- Enhanced decision making
- Provide structure/documentation of what we are already doing instinctively every day
- Step towards increasing transparency and accountability
- Provide staff with a tool for business planning, support for funding requests, dialogue with stakeholders, etc

Conclusion



So easy a caveman
can do it!



Thank you

Questions?