



Using Risk to Manage Better: Moving from Theory to Practice

Paule Labbé

Executive Director, MAF and Risk Management,
Treasury Board Secretariat

Nisa Tummon

Director, Centre of Excellence on Risk
Management, Treasury Board Secretariat



Purpose:

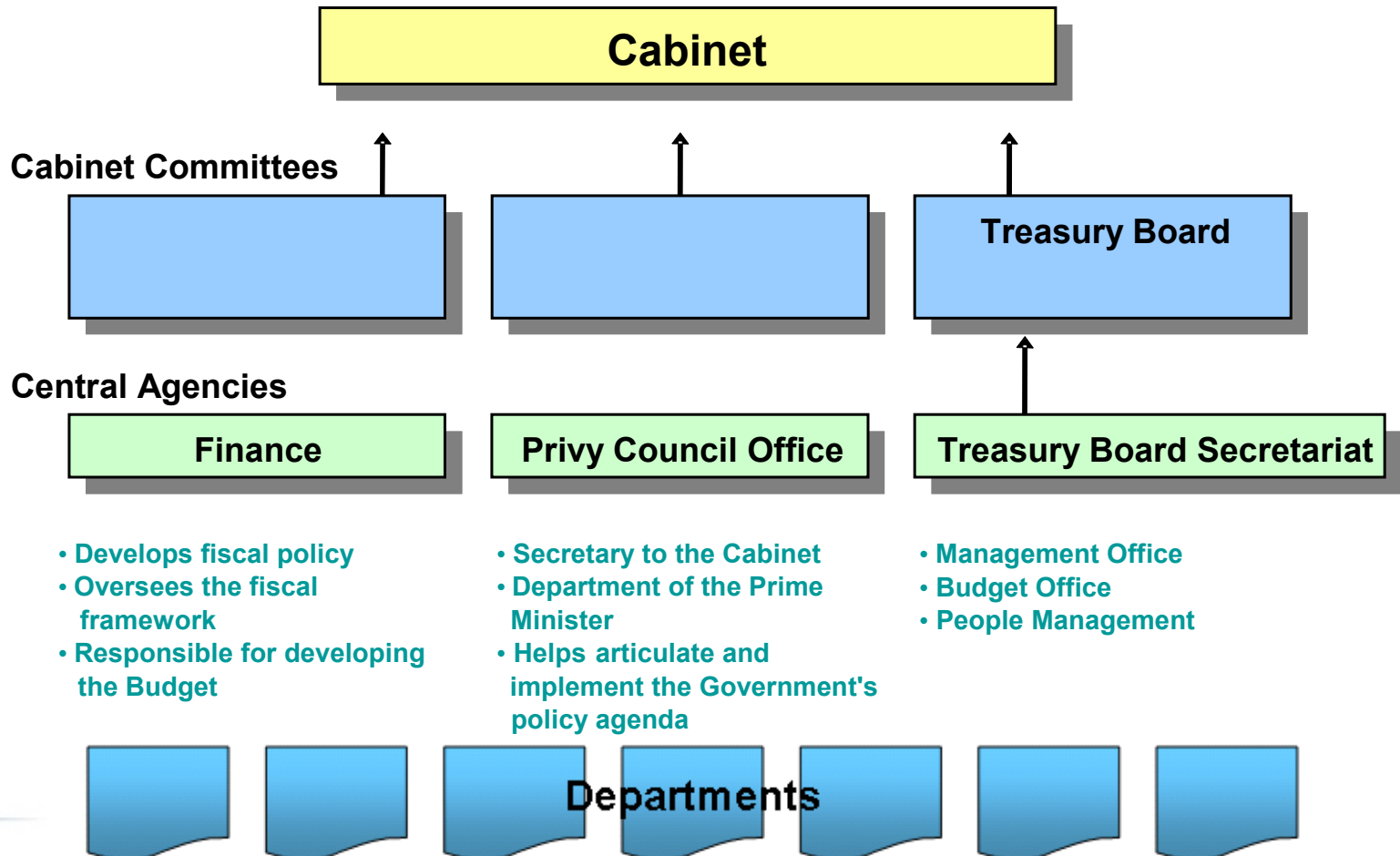
- **To describe the context for risk management within the Government of Canada and the role of Treasury Board Secretariat**
- **To describe the role that TBS has played to encourage risk management and risk-based approaches across government**
- **To describe progress observed in integrated risk management practices in the Government of Canada**




Risk Management is not a new concept to the Government Canada

- **The Government of Canada has a long history of managing a wide variety of complex risks on behalf of Canadians, for example:**
 - security and public safety risks
 - public health risks
 - regulatory compliance risks
- **Each department and agency is responsible for managing the risks that affect its ability to deliver on its mandate and priorities**

Within the Government of Canada, Treasury Board Secretariat plays a key role on management issues





In the current climate of fiscal restraint, risk management and risk-based decision-making is increasingly important

- **Senior management is expected to make risk-based decisions during systematic reviews of departmental programs and services**
- **Risk-based decision-making supports senior managers in capitalizing on opportunities, streamlining business processes, and improving efficiencies**
- **In a management environment of limited resources, risk-based decision-making can help to ensure priorities receive the attention they deserve**



The context for risk management has evolved...

- Significant changes have been made to clarify accountability and strengthen risk management practices:
 - Deputy Heads are Accounting Officers, accountable to parliamentary committees for the overall management of their departments
 - Government of Canada 2010 *Framework for Management of Risk* outlines responsibilities of Deputy Heads and principles that govern the development and implementation of TB policies
 - Independent departmental audit committees created with risk management as key element of their mandate
 - TBS has moved toward more principles-based and risk-based direction and requirements for management policies (e.g. transfer payments, internal audit, project management, etc)
 - The Management Accountability Framework (MAF) annual assessment of risk management practices

TBS provides guidance to departments

- Framework for the Management of Risk
- Guide to Integrated Risk Management
- Guide to Corporate Risk Profiles
- Guide to Risk Taxonomies
- Risk Management Capability Model
- Web 2.0 applications

Treasury Board Secretariat	Risk Management
Our Minister	
About the Treasury Board	
About the Secretariat	
Information for:	For the Government of Canada to continually improve the way it delivers services to Canadians, it is important that its management regime fosters flexibility, seeks opportunity and focuses on results. Integral to such a regime is awareness and application of risk management principles and practices.
Federal Employees	
Federal Managers	Effective risk management practice equips federal government organizations to respond proactively to change and uncertainty by using risk-based approaches and information enable more effective decision-making throughout an organization.
Parliamentarians	
Media	
Canadians	
Quick Links to:	Risk Management Framework
Policies	The Framework for the Management of Risk is a key Treasury Board policy instrument that outlines a principles-based approach to risk management for all federal organizations. The Framework reaffirms Deputy Head responsibility in the effective management of their organizations in all areas of work, including risk management and describes the expectations for an effective risk management practice. Of note, the risk management principles of the Framework also apply to all Treasury Board policies, and guide the Treasury Board Secretariat in its management, enabling and oversight roles.
Estimates and Supply	
Strategic Reviews	
Management Accountability Framework	The Treasury Board Secretariat Centre of Excellence on Risk Management is the central coordinating body for risk management efforts in the Government of Canada. The following guides and tools have been prepared by the Centre, in collaboration with federal government organizations, to support the implementation of effective risk management practices.
Federal Accountability Act	
Guide to Preparing Treasury Board Submissions	Guides and Tools
Collective Bargaining	<ul style="list-style-type: none"> • Guide to Integrated Risk Management Explains the principles outlined in the Framework and provides guidance on designing, implementing, practicing and continuously improving an integrated risk management approach and process. • Guide to Corporate Risk Profiles Provides guidance on developing corporate risk profiles, including the type and scope of information that helps to make a corporate risk profile a useful tool to manage corporate risks and inform decision-making. • Guide to Risk Taxonomies Outlines broad categories of risk that may assist departments and agencies in articulating and aggregating risks within their organization. • Risk Management Capability Model Assists organizations in analyzing their risk management capacity as it compares key attributes of an integrated risk management approach and encourages a discussion on current capacity versus optimal capacity in these areas.
	For more information



TBS also supports capacity building

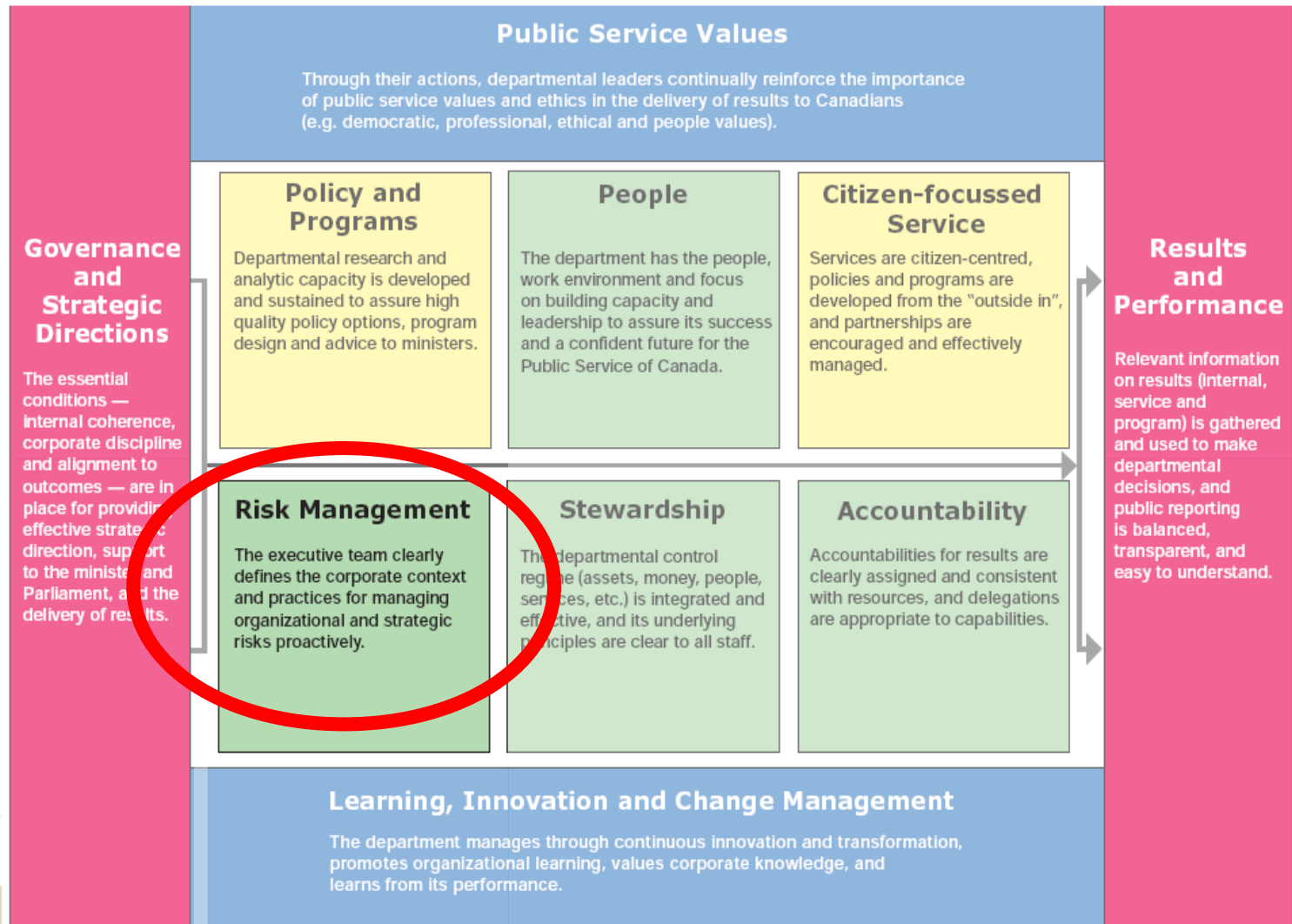
- **TBS supports capacity building and strengthens RM awareness across the Government of Canada through activities of the Centre of Excellence on Risk Management:**
 - Risk Management Forums
 - Risk Practice & Ideas Series
 - participation in conferences and external RM events
 - leveraging Web 2.0 to share good practice and expertise
- **TBS also provides tailored IRM advice to departments and agencies through:**
 - bilateral meetings
 - consultations
 - participation in department and agency RM events



TBS conducts an annual assessment of management practices across government

- **The Management Accountability Framework (MAF) is a key performance management tool used to:**
 - Support the management accountability of deputy heads.
 - Provide a comprehensive perspective on the state of management practices and challenges in the federal government.
 - Identify government-wide trends and general issues in order to help set priorities
- **All major federal departments and a third of small agencies are assessed on an annual basis, which represents 45 to 50 organizations each year**

Management Accountability Framework (MAF)

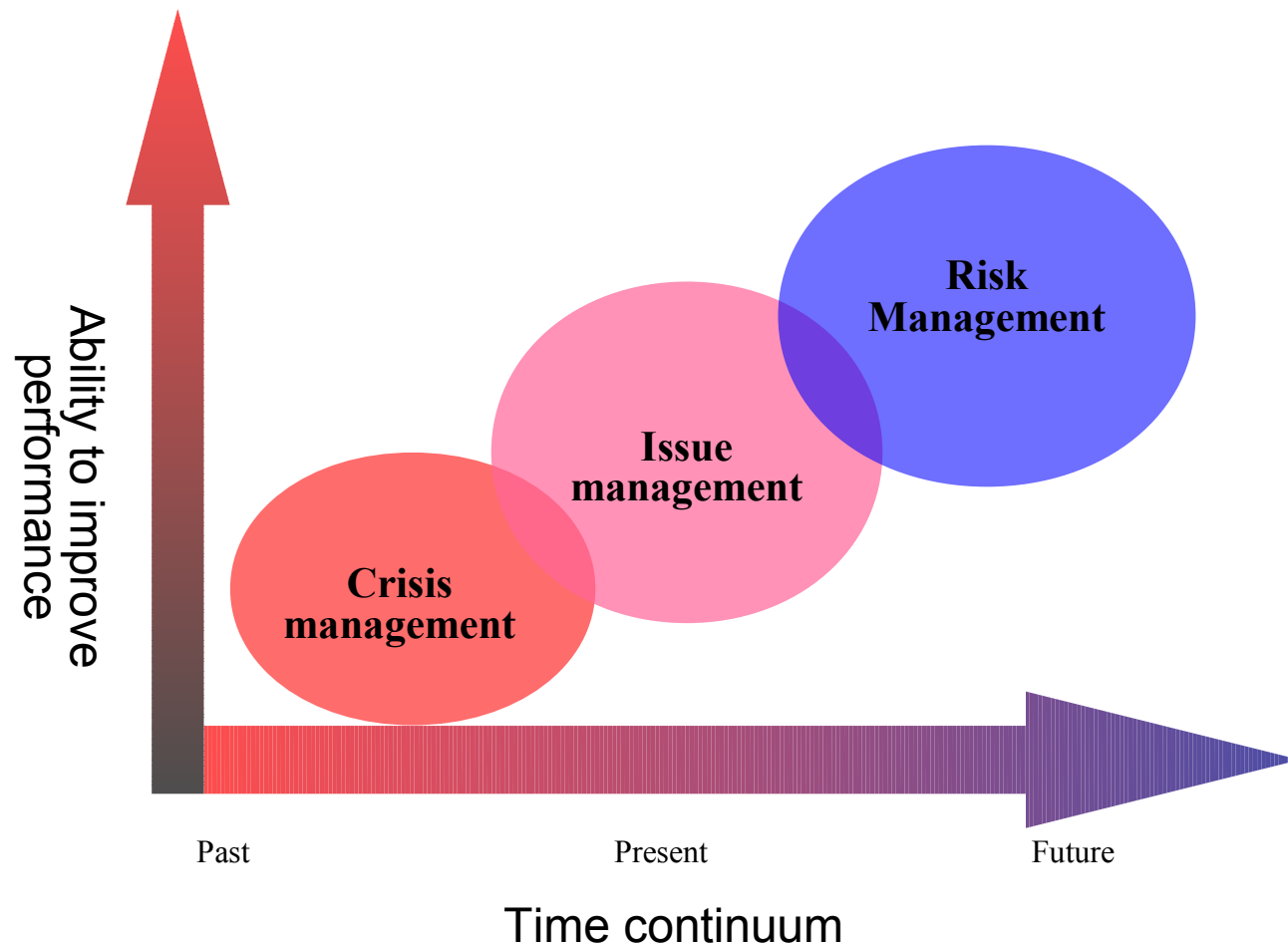




Integrated Risk Management is assessed annually

- **Focus is on how risk is managed in an integrated manner across each organization and at the corporate level**
- **TBS asks federal government departments three key questions about integrated risk management:**
 - How is it organized and promoted?
 - How is it put into practice?
 - What results does it have for the organization?
- **Departments provide a written explanation of their approach over the last year and provide key evidence documents to illustrate their practice**

MAF results show improvements in risk management practices





... including significant progress in Governance and Leadership...

- Over the years, most departments have established governance structures and can describe how risk management is vertically and horizontally integrated, for example:
 - Senior management governance committees which deal with cross-cutting issues have risk management responsibilities explicitly included in their mandate
 - Risk champions are identified (often a CFO or CRO)
 - Departmental risk management networks established with representation from across organizational business lines
 - Sharing of risk information with staff through communications from senior management



... with varied progress in Implementation


- While there is progress, there is great variation in the level of implementation of an integrated risk management approach
- Notable areas of improvement:
 - Most departments have Corporate Risk Profiles (CRPs) that are reviewed annually by senior management and departmental audit committees
 - CRPs becoming key strategic and business planning tool that inform priority setting and resource allocation
 - Horizontal networks help manage shared risks that cross departmental mandates
 - Development and delivery of department-specific risk management training programs

A good example of implementing a risk-based approach:

- **Infrastructure Canada assessed as a strong performer with Economic Action Plan:**
 - *Policy on Transfer Payments* states “Transfer payment programs are designed, delivered and managed in a manner that takes account of risk and clearly demonstrates value for money.”
 - Within TBS and across government, an expedited and risk-based review process was used while maintaining due diligence
 - Streamlined risk response and reporting requirements, proportional to the risks being managed
- **Of note, other things contributed to adoption of risk-based approach:**
 - Explicit support from senior government levels
 - Clear objectives for the action plan
 - Strict timelines, with an imperative to act quickly

Central agencies and departments all paid considerable attention to risk... Capacity to deliver the Economic Action Plan within the short time frame was a significant risk facing departments, and senior management implemented additional controls to manage this risk.

-- Report of the Auditor General of Canada, *Canada's Economic Action Plan*, Fall 2010



MAF results also show gradual progress in Results and Continuous Improvement

- Departments are starting to link their risk management approaches to departmental results and performance, building on lessons learned
- Examples include:
 - Directly linking key corporate risks and responses to performance measurement frameworks
 - Using departmental internal audit or evaluation functions to review the effectiveness of departmental risk management practice



Key considerations to move from vision to reality:

- **Senior managers who champion risk management are essential to implementation and continuous improvement, prompting cultural change within and across organizations**
- **Risk language and risk processes need to be simple and straight forward, leveraging existing knowledge and processes**
 - Enabling decision-making and action in the face of uncertainty
- **Clear communication on risk needs to take place across each organization, with its federal partners and with external stakeholders**
 - Creating a collaborative environment to address key challenges facing government
- **Organizational capacity and resilience will be strengthened over the long term**
 - Demonstrating the value-added of risk management thinking

Questions?

Paule Labbé

Executive Director, MAF and Risk Management

Treasury Board Secretariat

Paule.Labbe@tbs-sct.gc.ca

613-957-2613

Nisa Tummon

Director, Centre of Excellence on Risk Management

Treasury Board Secretariat

Nisa.Tummon@tbs-sct.gc.ca

613-948-5063

For general inquiries, contact us at:

riskmanagement-gestiondurisque@tbs-sct.gc.ca

Or visit us on the web:

<http://www.tbs-sct.gc.ca/tbs-sct/rm-gr/rm-gr-eng.asp>