



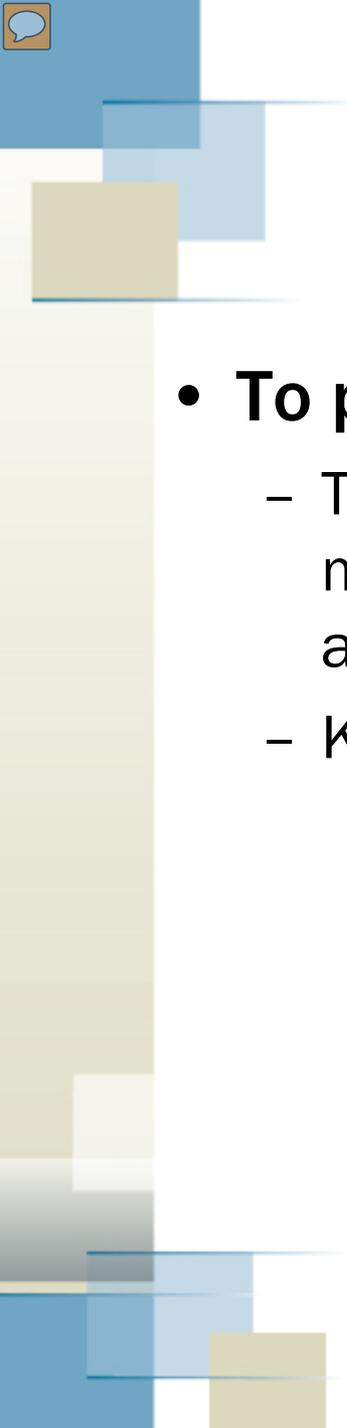
Risk Management in the Government of Canada – A Tale of Two Models

The Treasury Board Secretariat Experience

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Purpose

- **To present and discuss:**
 - The journey undertaken by TBS to enhance its risk management practices, including the role of internal audit.
 - Key insights we've gained so far.

TBS Profile

- **TBS is a central agency that has three principle roles in supporting the Treasury Board (a Cabinet committee):**
 - **Management Office** - promotes improved management performance, including policies to support effective management of resources.
 - **Expenditure Manager** – advises on proposed spending plans of government departments, and reviews the development of approved programs.
 - **People Management Office** – manages compensation and labour relations, sets foundational values, and people management policies.
- **In fulfilling these roles, TBS strives to provide good governance and sound stewardship to enable efficient and effective service to Canadians.**
- **TBS has approximately 1850 employees and an operational budget of \$220M.**

Scope of TBS' work: It influences how departments and agencies across the public services manage:

- *over \$244 billion in annual votes and statutory expenditures related to over 3,200 federal programs;*
- *over 257,000 federal public servants;*
- *over 16,000 IT systems to deliver programs and services to Canadians*
- *\$35 billion in grants and contributions annually.*

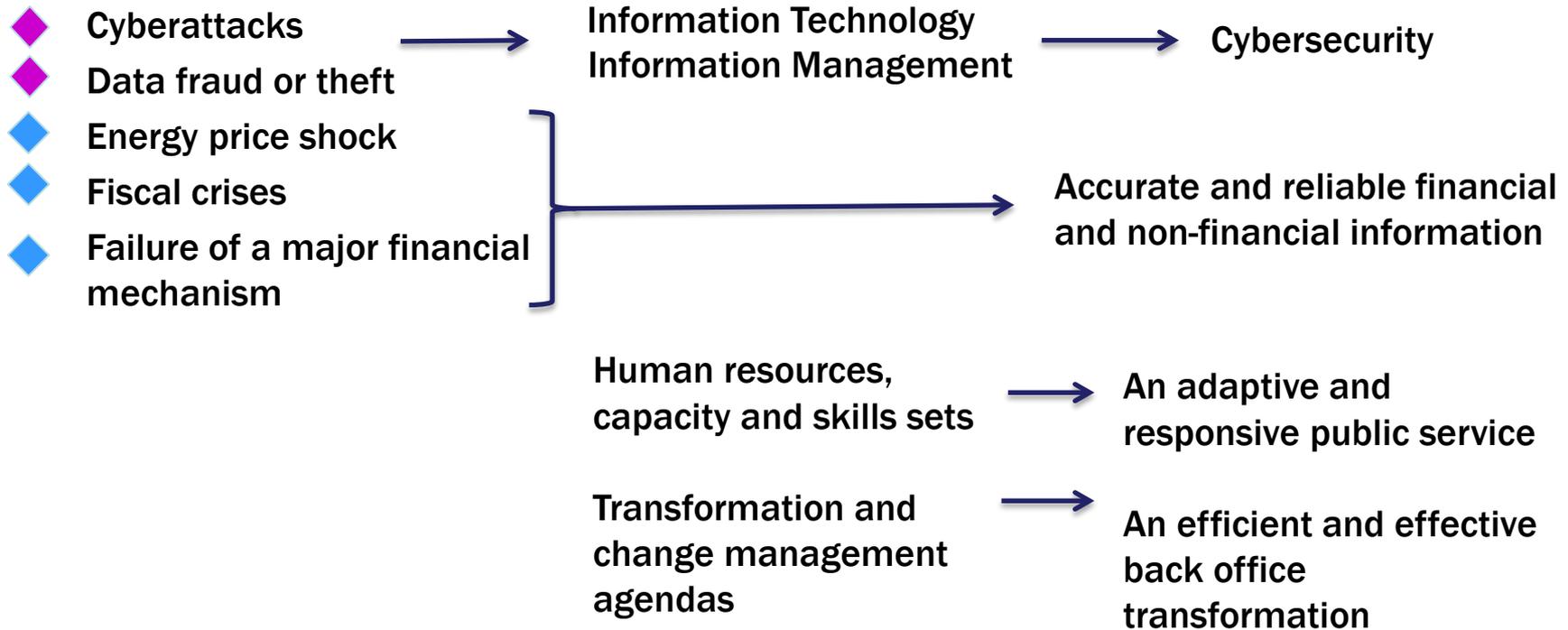
Enterprise Risk Management at TBS

- Risk management supports the successful delivery of TBS's central agency and departmental functions and achievement of its results:
 - Government is supported to promote value-for-money in programs and operations.
 - Departments / Agencies manage public resources and assets in key policy areas effectively.
 - Government-wide operations are managed effectively.

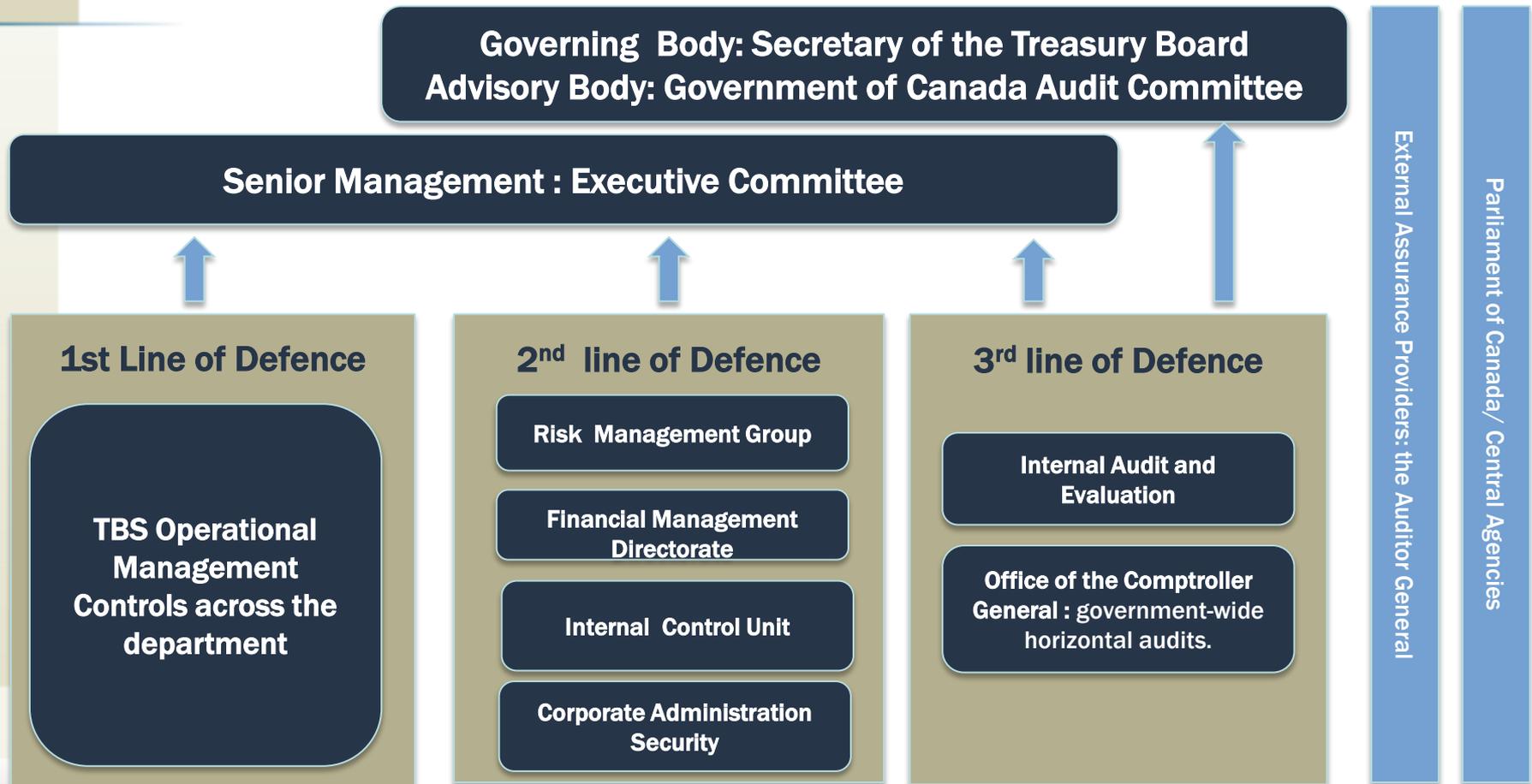
Top TBS Risks for 2015 as they relate to Global Risks



TBS



Three Lines of Defence in TBS



TBS Journey in Risk Management

2010

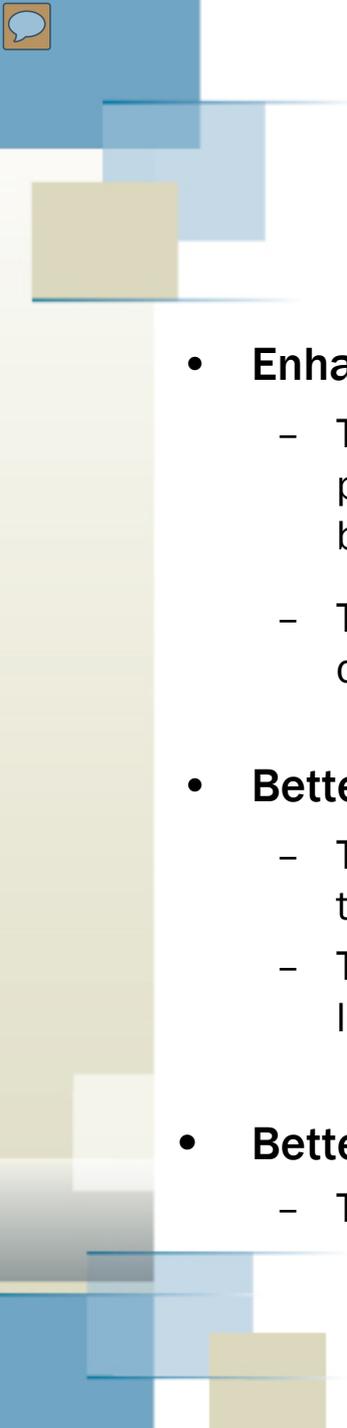


2015



2020

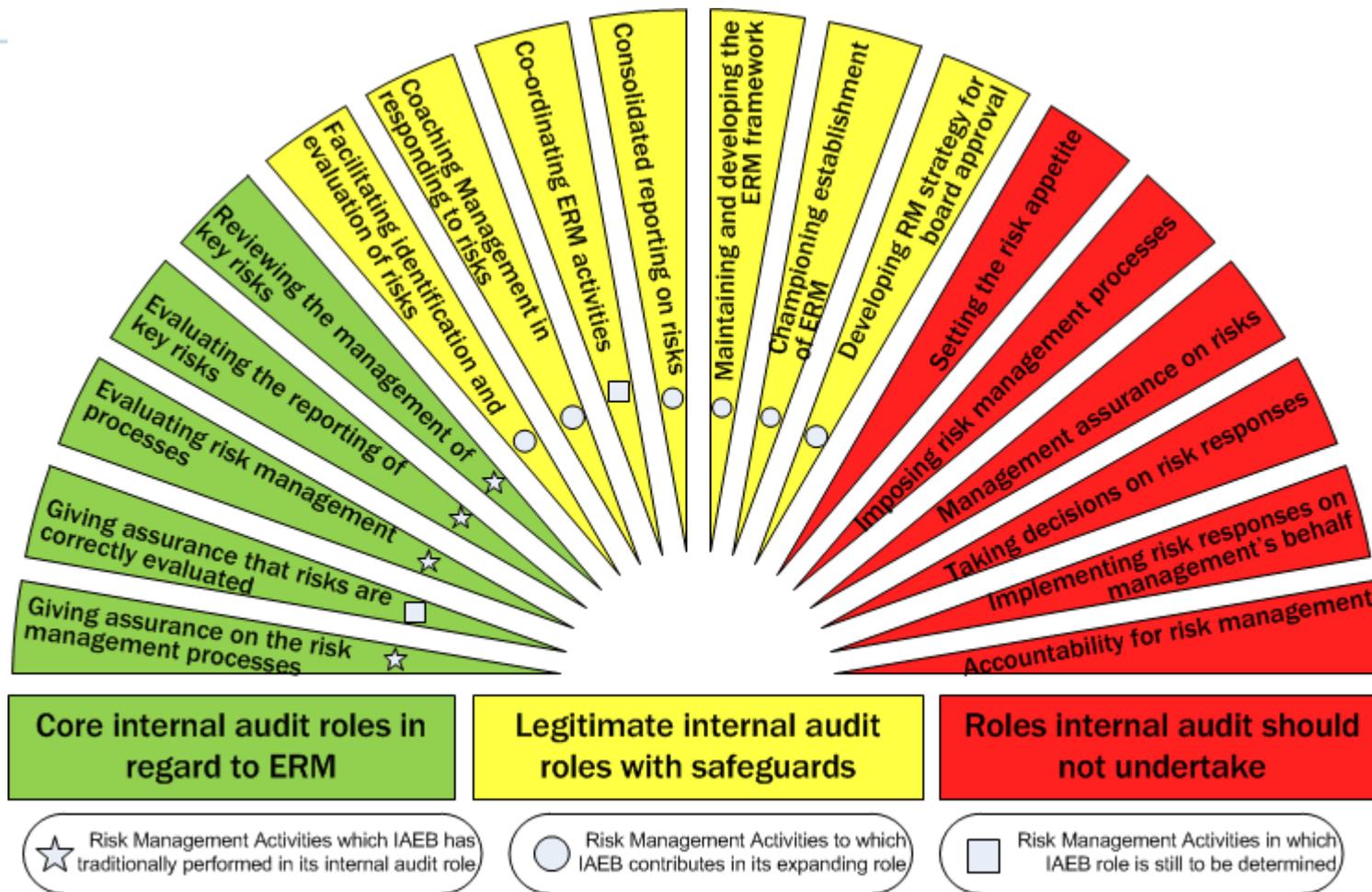
LEVEL	<u>Below</u>	<u>Basic</u>	<u>Advanced</u>
APPROACH TO IRM	<ul style="list-style-type: none"> ❖ Mainly focused on meeting requirements. 	<ul style="list-style-type: none"> ❖ Increased focus on senior management engagement and strengthened risk response approach. 	<ul style="list-style-type: none"> ❖ Fully Integrated, Enterprise Risk Management
DESCRIPTION	<ul style="list-style-type: none"> ❖ Established support for the Secretary's role as an "Accounting Officer". ❖ Little or no collaboration between the 3 lines of defence. ❖ Unclear roles, and limited engagement with key stakeholders and senior management. 	<ul style="list-style-type: none"> ❖ Roles are clearer, and a corporate risk framework is in place. ❖ Environmental scanning is used to identify risks. ❖ Senior management engagement has gradually increased in identifying and assessing corporate risks. 	<ul style="list-style-type: none"> ❖ A balance between external and internal risks. ❖ Better integration of risk management into decision making and resource allocation. ❖ Fostering a stronger risk management culture at all levels of the organization, supported by functional expertise, and standardized methodologies, guidance, and tools.



Notable Improvements in Recent Years

- **Enhanced discussion of Risk and Risk Tolerance by senior management:**
 - TBS uses an online questionnaire to capture individual senior management perspectives on risk and risk tolerance. The results are then collectively discussed by senior management to inform the appropriate risk response.
 - TBS has established working groups to promote collective risk discussions and the delegation of risks to risk owners.
- **Better scanning of the external environment:**
 - TBS uses environmental scans to help inform risk identification and the risk taxonomy to ensure consideration of a broad range of risks.
 - TBS uses key risk indicators to allow for the assessment of changes in the likelihood of a risk.
- **Better leveraging of risk capacity to maximize results:**
 - The internal audit function has expanded its roles in enterprise risk management.

Internal Audit and Evaluation Bureau's (IAEB) Role in Enterprise-wide Risk Management



Internal Audit Roles in Enterprise Risk Management

Adapted from IIA Position Paper: The Role of Internal Auditing in Enterprise-Wide Risk Management, January 2009

Enhanced Internal Audit Role: Concrete Actions

- **Strengthening links to business lines to be more in tune with risks**
 - Use temporary assignments to bolster our knowledge of business risks
 - Support IA team members' participation in key committees and working groups (“plugged in”)
 - Drill down into areas of higher inherent risk (e.g. cyber, HR, large projects)
 - Update the risk based audit plan continually, as context changes
- **Expanding the “tool kit” to increase timeliness of advice & assessment**
 - Enhance data analytics capability to support audits and risk assessment
 - Conduct challenge function and provide advice in high risk areas
 - Streamline audit process - to reduce cycle time
 - Introduce new ways to provide more timely value to support decisions (e.g., streamlined audits; reviews; lessons learned; targeted testing)
- **Using various methods/tools to support ERM evolution**
 - Recently piloted Risk/Control Self-Assessment (RCSA) methodology for a major transformation project and discussing the experience broadly.
 - Currently conducting a comprehensive review of risk management at TBS, in collaboration with the corporate risk function. Includes an assessment and advisory component – to help identify TBS needs.



Reflections about TBS's Journey So Far

- **Risk Management should be tailored to the organization:**
 - Various models can work. It depends on the type of risks being managed, capacity, and culture.
- **It works best when you have:**
 - Senior management buy-in and a well functioning governance structure
 - Clear organizational objectives and goals
- **Implementing ERM is a journey of cultural change:**
 - It requires extensive engagement, an incremental approach to allow value-added to be shared and generate further demand and ongoing support for managers
- **Getting support from institutional risk managers without losing individual accountabilities for risk management is key.**
- **Don't undervalue informal risk management:**
 - Key is to recognize where more rigour is really needed.
- **ERM is only happening if everyone uses the same lens, and if it ultimately influences how resources are spent.**