



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

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Purpose

To provide an overview of the:

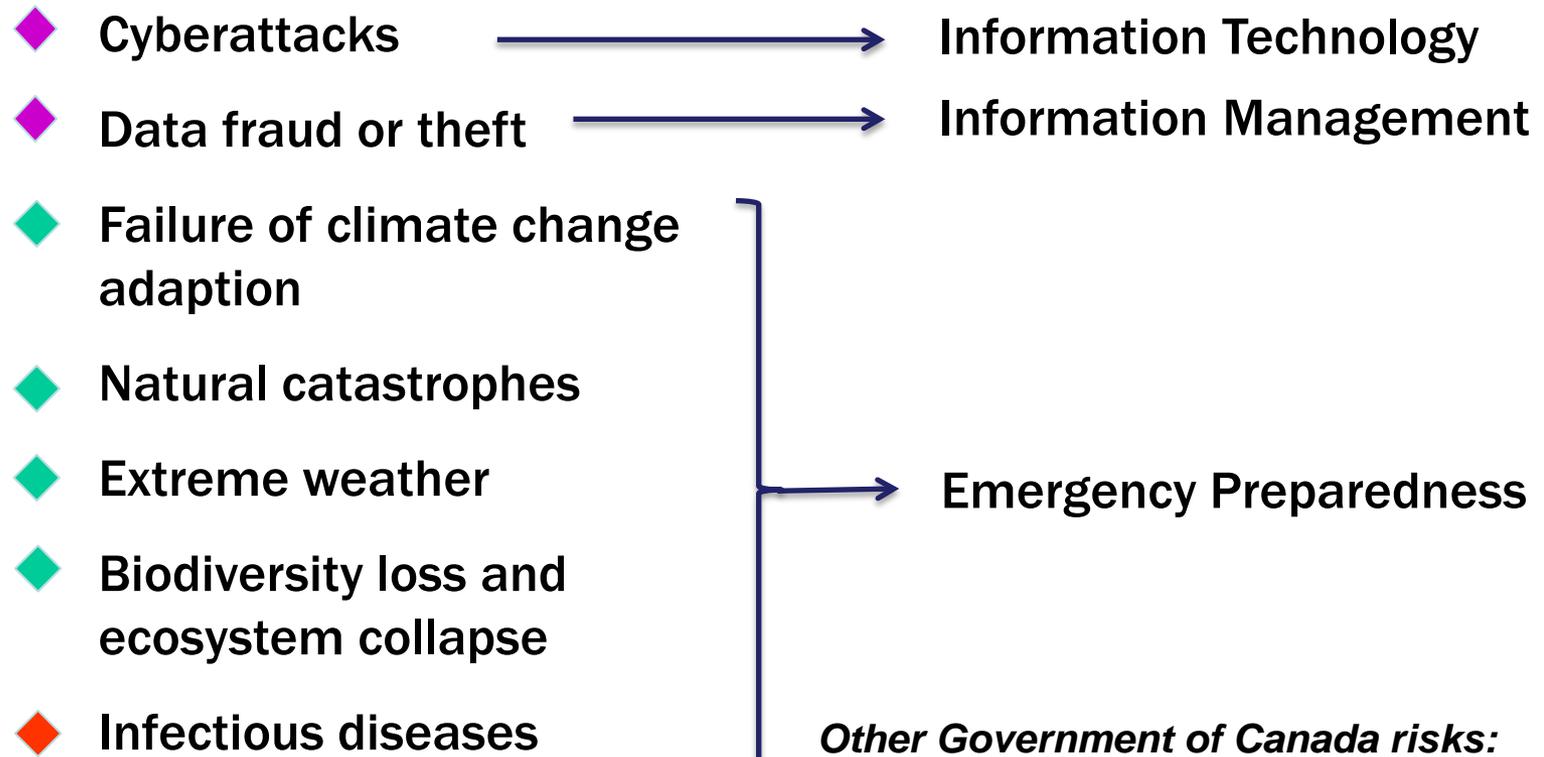
- Global and Government of Canada risk landscape; and
- Integrated Risk Management in the Government of Canada



The many facets of Enterprise Risk Management (ERM)

- ***Risk*** is the expression of the likelihood and impact of an event with the potential to affect an organization's objectives
 - The effect could be positive or negative depending on the ability of the organisation to adapt to the change.
 - The extent to which an event or trend is seen as a risk depends on a number of factors: values, culture, risk tolerance.
- ***ERM*** promotes a continuous, proactive and systematic process to understand, manage and communicate risk from an enterprise-wide perspective in a cohesive and consistent manner.

Top Government of Canada Risks for 2015 as they Relate to Global Risks

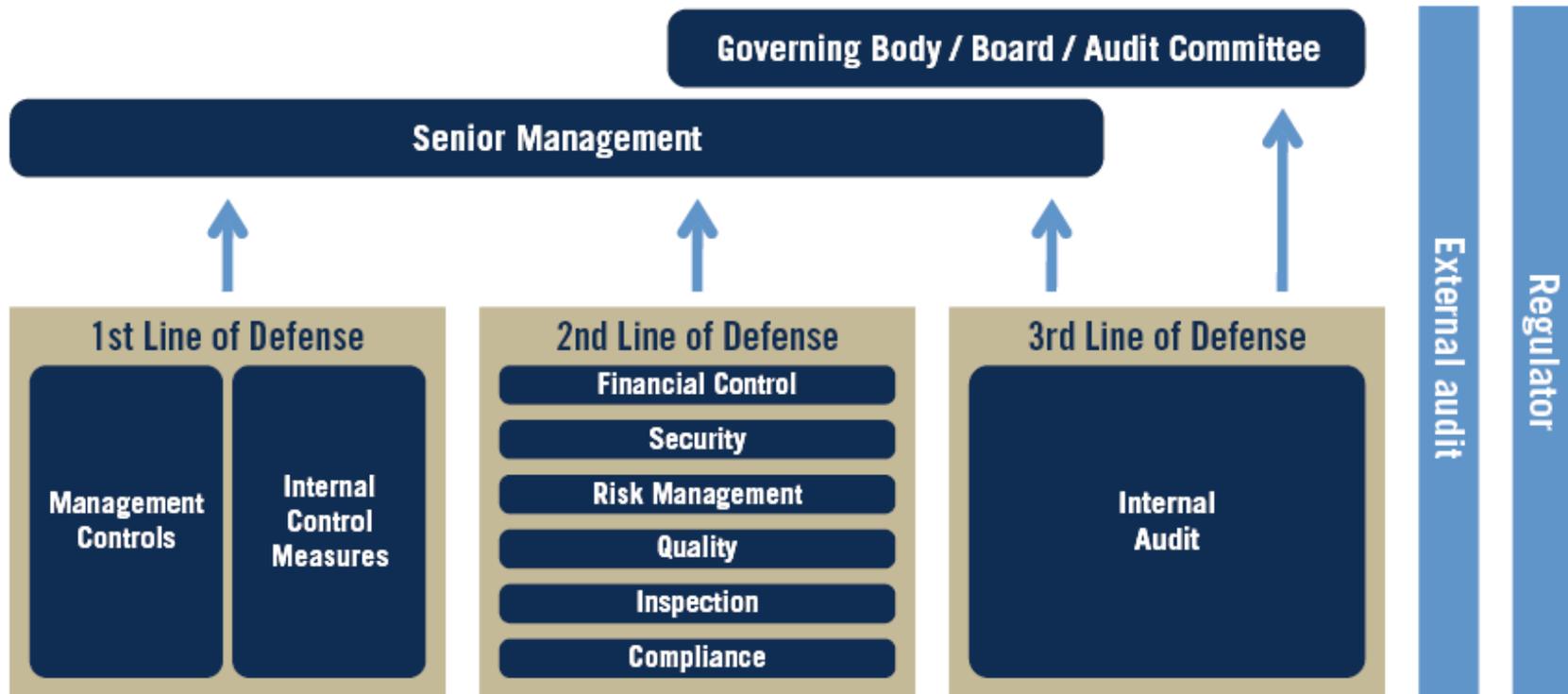


Other Government of Canada risks:
Client and stakeholder relations, Transformation and change management agendas; and Human resources, capacity and skills sets.

Effective Risk Management

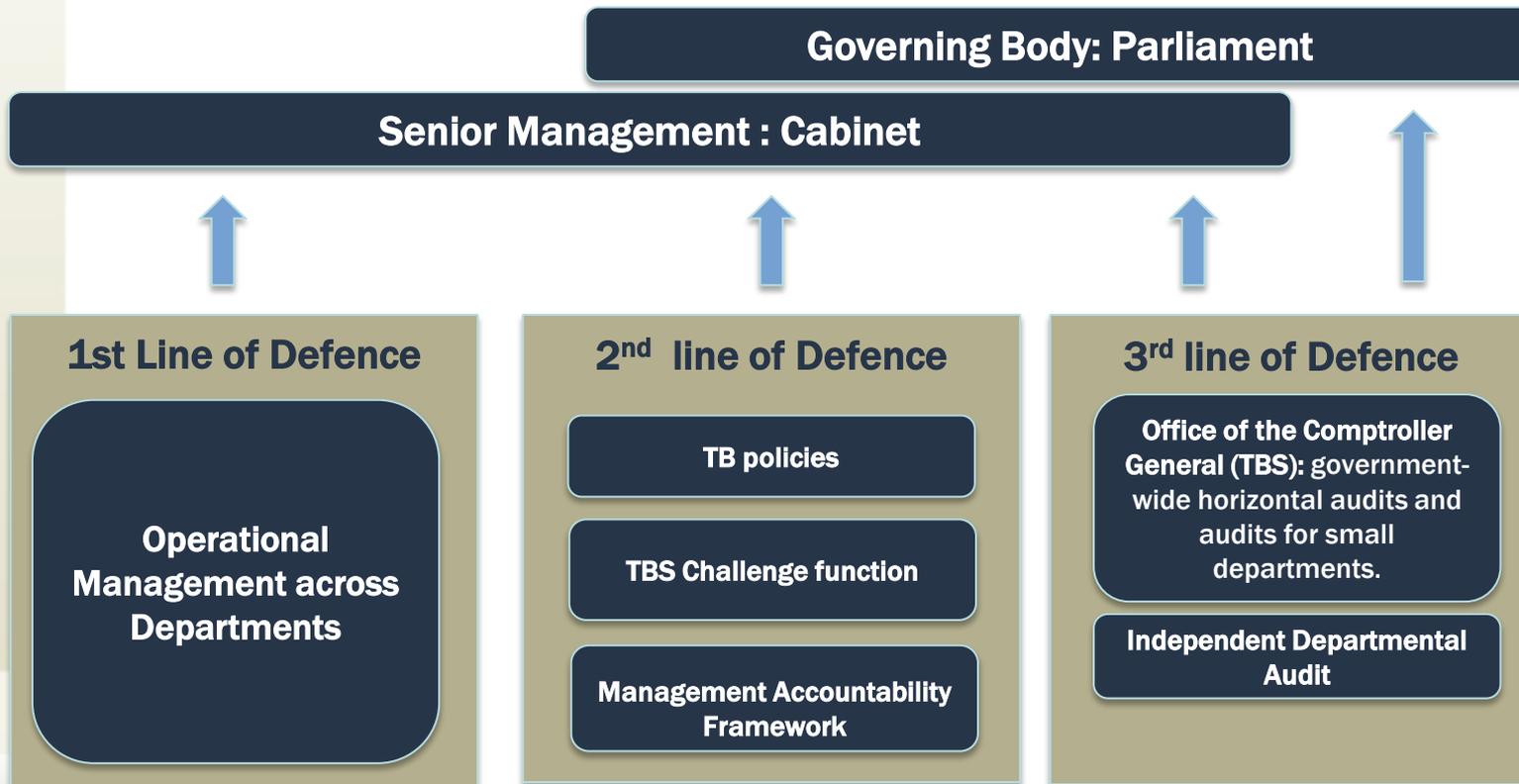
– the Three Lines of Defense

The Three Lines of Defense Model



Adapted from ECIIA/FERMA *Guidance on the 8th EU Company Law Directive, article 41*

Three Lines of Defence in the Government of Canada



**Agents of Parliament : (e.g., the Auditor General/
the Access to Information Commissioner/ the Commissioner
Public Sector Integrity**

Risk Management Maturity Model

	Below	Basic	Advanced	Leading Edge
Governance arrangements	<ul style="list-style-type: none"> • Risk function (lines of defence) • Committees • Risk policies 			
Decision and planning support	<ul style="list-style-type: none"> • Risk models • Risk planning vs. priority setting 			
Risk identification, assessment and measurement	<ul style="list-style-type: none"> • Risk identification • Risk characteristics • Risk development 		<ul style="list-style-type: none"> • Risk measurement • Risk assessment • Risk mitigation 	
Risk monitoring, reporting and management	<ul style="list-style-type: none"> • Risk exposure • Risks mitigation, monitoring and management 			
Capabilities	<ul style="list-style-type: none"> • Skills set • Internal committees • Data, IT and infrastructure 			
Risk Culture	<ul style="list-style-type: none"> • Approach to risk management • Engagement of the three functions (lines of defence) 			
Stakeholder communication	<ul style="list-style-type: none"> • Vision • Communication 			



The reality of implementing Risk Management

- **Achieving good results on all criteria identified in the risk management maturity model is not often feasible – trade-offs need to be made, which:**
 - Require judgement and senior leadership;
 - Should be specific to the organization’s mandate, risk tolerance and risk profile; and
 - Should be justified against the organization’s objectives and basic policy and operating principles.
- **Organizations need to recognize the interconnectedness and interdependency of departments and agencies to optimally achieve integrated risk management:**
 - Organizing partnerships with others requires investment.

Annex A: Top Global Risks for 2015

Table 1: The Ten Global Risks in Terms of Likelihood and Impact

Top 10 global risks in terms of Likelihood

- 1 Interstate conflict
- 2 Extreme weather events
- 3 Failure of national governance
- 4 State collapse or crisis
- 5 Unemployment or underemployment
- 6 Natural catastrophes
- 7 Failure of climate-change adaptation
- 8 Water crises
- 9 Data fraud or theft
- 10 Cyber attacks

Top 10 global risks in terms of Impact

- 1 Water crises
- 2 Spread of infectious diseases
- 3 Weapons of mass destruction
- 4 Interstate conflict
- 5 Failure of climate-change adaptation
- 6 Energy price shock
- 7 Critical information infrastructure breakdown
- 8 Fiscal crises
- 9 Unemployment or underemployment
- 10 Biodiversity loss and ecosystem collapse

Categories

-  Economic
-  Environmental
-  Geopolitical
-  Societal
-  Technological

Source: Global Risks Perception Survey 2014, World Economic Forum.