



Budget 2010...

Responding to Strategic Review with Risk-Informed Priority Setting and Resource Allocation

A core expectation for risk management (RM) is its integration with priority setting and resource allocation. In times when resources are stable or growing, these choices are complex, but less risk-loaded. In recent years, departments have been integrating Corporate Risk Profiles (CRPs) into their annual planning cycles.

In times like these, on the other hand, when resources are heavily constrained or declining, the importance of risk-informed decision-making grows exponentially. Departments and agencies are being asked to increase efficiency and reduce expenditures, and the risk focus is shifting toward how things are done and what will be done (or not done) with available resources. Managers are looking at their business lines from the perspective of risks to Canadians and to themselves as programs are reduced or eliminated and internal processes are streamlined.

The Centre for Public Management (CPM) has developed a series of quick and effective diagnostic tools based on risk-informed methodologies that can very quickly help you make difficult resource allocation and reallocation decisions. These include:

- Assessing the extent to which your current business priorities are risk informed;
- Risk assessing your clients, stakeholders, business lines, and business processes; and
- Developing and applying an understanding of your organization's risk appetite and risk tolerance to inform decision-making.

Risk concepts should underpin resourcing choices and, due to the history, complexity, and uniqueness of organizations, won't be done the same way everywhere. CPM risk management consultants understand how government works, and have applied these same risk-based approaches in previous periods of restraint.



Click to enlarge

What's New in Risk Management?

It's becoming more and more evident that risk management is here to stay! Ten years ago, skeptics described it as just another layer added to an already overweight management regime. Now, it's a key part of the agenda to untangle the "Web of Rules." As organizations mature in their risk management thinking, they are making risk a central component of decision making.

Important recent developments include:

- The International Standards Organization (ISO) standard on risk management (31000), that sets out principles and a generic framework for managing risk;
- Information Systems Audit and Control Association (ISACA) has introduced its Risk IT Framework;
- RM concepts have underpinned most recent legislative and policy initiatives; and
- The Treasury Board Secretariat (TBS) Management Accountability Framework (MAF) is progressively raising the bar for departments' RM practices.

CPM is an active participant in this movement.

For example:

- CPM is participating in the Canadian Standards Association (CSA) Working Group to develop the CSA Q850 Risk Management guide that will provide further guidance to support the implementation of ISO 31000 in Canada;
- We are supporting the TBS in developing a Government of Canada Risk Assessment Guide designed to guide regulatory officials with risk assessment for draft regulations;
- CPM planned and delivered the Office of the Comptroller General (OCG) Government-Wide audit of CRPs; and
- CPM is helping many departments to converge (see the next page for a discussion of "Convergence") RM into their business practices.

The CPM Risk Management Team

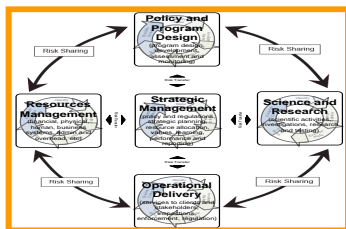
At CPM, we understand that departments aren't the same, and that there is no single, ready-made risk management solution for your organization. Instead, we provide practical, tailor-made solutions that take into consideration the unique culture and operating environment of each client. The risk management team at CPM understands government and has an in-depth knowledge and extensive experience in the area of risk management. We have provided RM support to client departments and agencies across government.



Integrated Direction Setting

Many departments and agencies are “hard-wiring” risk management into their business management cycle. In addition to strategic risks setting the stage for the selection of business priorities, senior management wants to see:

- Senior governance committees with formal descriptions of their RM responsibilities;
- An integrated “planning wheel” that emphasizes the role RM plays;
- The alignment of RM, performance measurement, and quality management processes;
- Top down RM strategies and business models that support distinctive organizational culture;



Risk Management Delegation, Sharing and Transfer (Click to enlarge)

- Assignment of RM responsibilities in senior executive Performance Management Agreements (PMAs); and
- Senior level risk leaders who act as the “risk conscience” for the executive team.

RM Capacity Building

Have you ever asked yourself whether risk management training actually makes a difference to the staff who take it? This isn't a bad question, given that:

- Most RM training is about RM theory, and teaches practices, tools, and templates that would usually only be applied by a few RM specialists;
- RM training usually doesn't help staff adopt “Risk-Enabled Decision Strategies” that meet their own particular needs; and
- Other countries are inserting RM modules into all regular training programs, rather than only offering it as an optional speciality course.

If staff are to be expected to adopt risk management in their everyday work, and to consider risk management as a central component in decision-making, the focus of RM training needs to be re-balanced between what they can do for risk management, and what risk management can do for them.



Risk Management Training

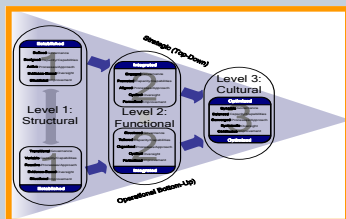
What's Going on with Convergence ?

Ongoing RM Assessment and Continuous Improvement

Risk management Capacity Assessments are being carried out all over town. Management commitment, bolstered by MAF reviews and Audit Committee oversight, has raised interest in understanding where the RM gaps are. Unfortunately, traditional maturity model strategies don't work all that well for risk management, and Generally Accepted RM practices are still a long way from being defined.

CPM has developed and extensively applied a non-traditional maturity assessment model, fondly referred to as the “Wedge”. Managers like it because it recognizes that:

- Risk maturity can evolve top-down or bottom-up;
- RM at the operational level is often very sophisticated, internationally integrated, and unique to the function involved; and
- Committed, experienced managers are addressing risk on an ongoing basis.

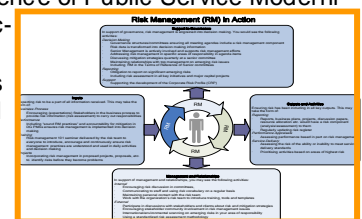


Risk Capacity Assessment
The “Wedge.” (Click to enlarge)

RM Implementation

Risk management is expanding into new areas. In recent months, CPM has been involved in:

- Operational risk assessments to identify risks that have the potential to surprise the department and embarrass the Deputy head, but haven't made it to the CRP;
- Branch Risk Assessments, Strategic Outcome Risk Assessments, and Business Line Risk Assessments;
- Rapidly evolving risk-based audit and evaluation methodologies; and
- Functional Area Risk Assessments. For example, human resources management is an emerging area of RM attention due to the emergence of Public Service Modernization Act (PSMA) expectations, and the need to incorporate risk concepts into the lives of individual HR staff.



Risk Management in Action
(Click to enlarge)

“I learned that, in hindsight, it is much easier to see the sequence of events that led to the outbreak. And to identify steps that could have been taken. I heard, repeatedly, that if people had only known or recognized then what they know now, these events might have evolved differently.” Sheila Weatherill, Independent Investigator, Listeriosis Investigative Review

The CPM Risk Management Team



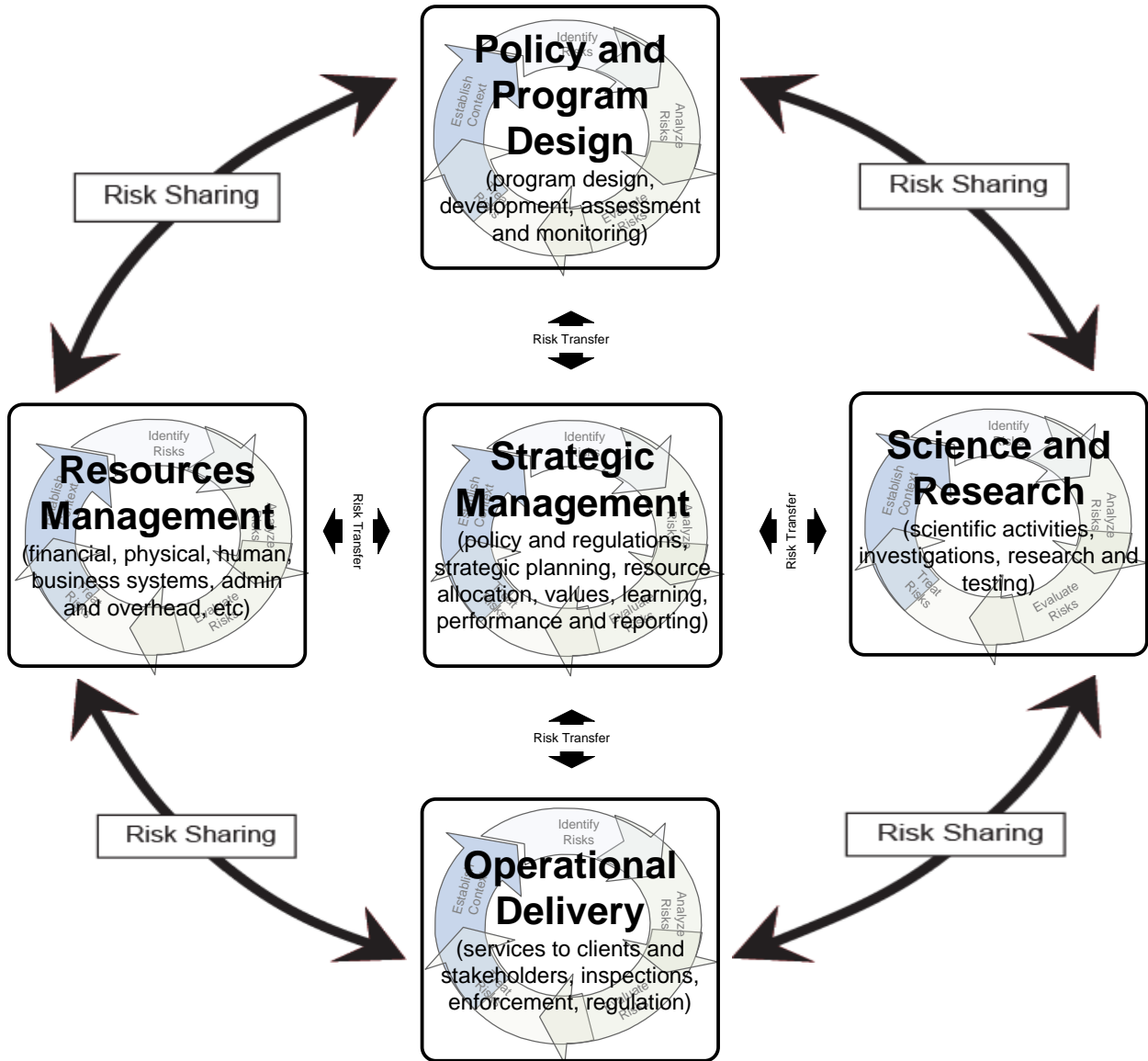
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Front row: Sarah O'Connor simard, Shazmin Dosani, Nujhat Bashir, Alexandra Nedov, Sandra Lalli, Kendra Hughes, Robin Sellar, Helen To.

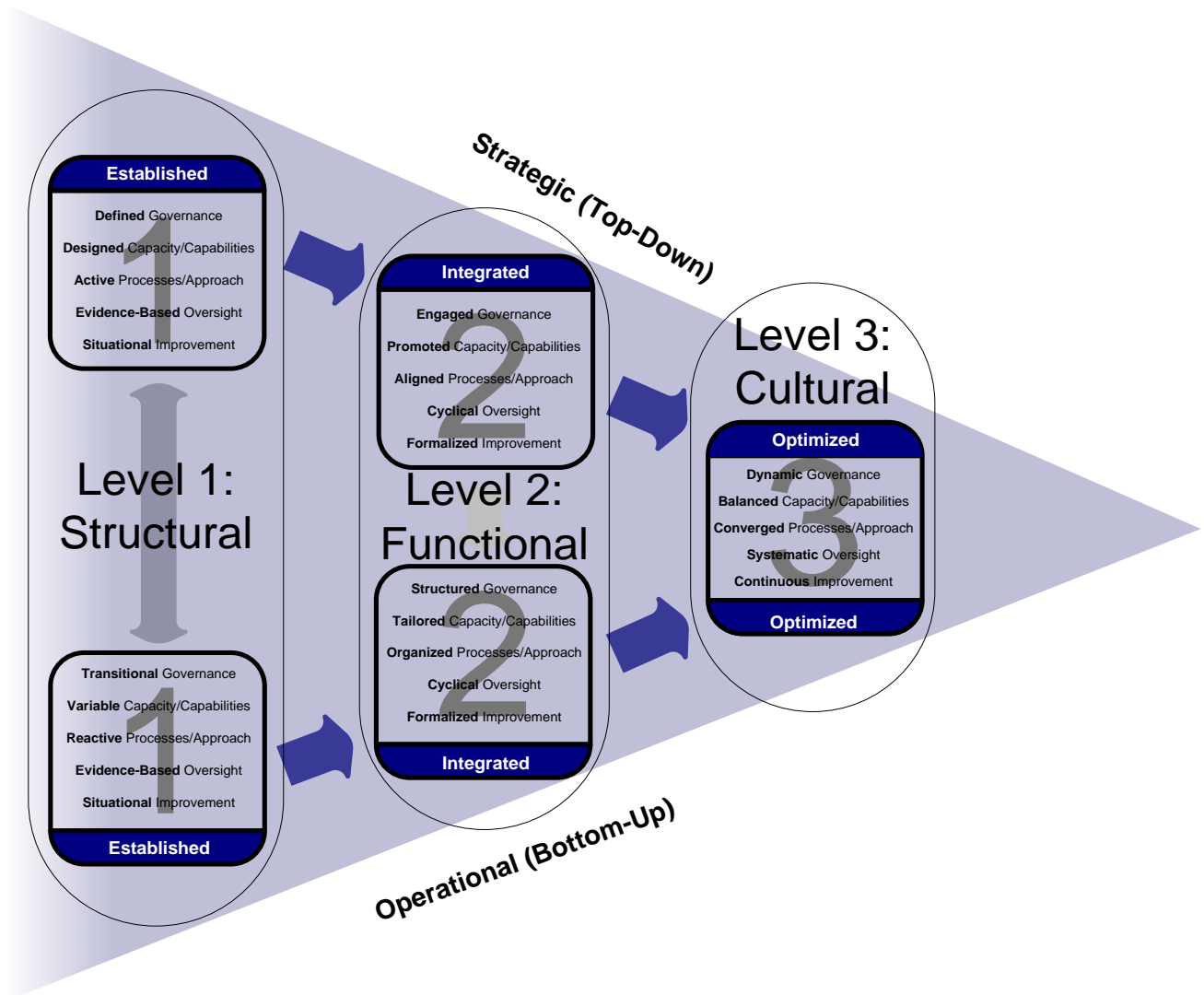
Back row: Phil Carr, Scott Kiser, David Rattray, John Burns, Jason Russo, Ian Doherty, Tom Hopwood, Richard Burton, Allison Chen.

Missing: Bill Kessels, Alan Winberg, Eileen Gordon, Melissa Polak, Gisele Vallee.

Risk Management Delegation, Sharing and Transfer



Risk Capacity Assessment - The "Wedge"



Risk Management in Action

