

CUSTOMER SCENARIO

The purpose of this customer scenario is to illustrate a general risk management process and how eRiskScorecard™ can automate the process to facilitate the identification, assessment, monitoring and reporting of a program's risk.

Client Name: Environment Enhancement Initiative of Canada (EEIC)

Program/Risk Manager: Ms. Jane Doe

Environmental Overview:

Scenario

Environment Enhancement Initiative of Canada is a Government initiative that provides funding via *contributions* to public and not-for-profit private organizations to implement environmentally beneficial projects. EEIC has obtained Cabinet approval for \$100 million but does not yet have the formal approval from Treasury Board of Canada, Secretariat (TBS). To fulfill TBS's requirements, EEIC is in process of developing its management accountability structures including roles and responsibilities, management and operational delivery practices, performance measurement, organizational structures, eligibility criteria, terms and conditions, etc.

TBS policy on transfer payments, which includes transfers by *contribution*, establishes that it is government policy to "*manage transfer payments in a manner that is sensitive to risks.*" It also includes the requirement for departments to establish a "*risk-based audit framework*" (RBAF).

In order to ensure that EEIC, and its various components, meet TBS requirements, they are in the process of developing a Risk-Based Audit Framework (RBAF). The RBAF provides an explicit understanding of the key risk areas that the program faces, specific risks which may influence the achievement of the its objectives and a description of existing measures and proposed incremental strategies for managing specific risks as well as achieve their program objectives. For this, EEIC wants to incorporate a systematic risk management process to identify and assess their program risks and develop mitigation strategies. In addition, EEIC would also like to use the process to continue management of its key risks throughout the life-cycle of the program and integrate it with the risk-based audit planning activities.

This scenario describes the automation of the systematic risk management process for the EEIC Programs. It describes the challenges associated with using a manual process for the identification, assessment, monitoring and communication of risks and the role of eRiskScorecard™ in dealing with those challenges.

Program/Risk Manager Profile

Ms. Jane Doe, Senior Manager EEIC, is responsible for ongoing financial and operational monitoring of the EEIC and its components. She has the overall responsibility for the development of the RBAFs and for ensuring that all the key risks to the programs' objectives are explicitly identified, understood and communicated. Through explicit understanding of risks, she will be able to ensure the management and operational delivery practices being developed will not be over built and unnecessarily use scarce resources. This has happened in the past when the level of a key risk was judged intuitively rather than systematically.

Problems

The EEIC is a decentralized organization with managers from all components located in different regions across the country. Senior management have found it difficult in the past to schedule and get adequate attendance to strategic meetings. Conducting a risk assessment with various participants and stakeholders is a daunting task because of high cost and resource requirements.

Last year, the EEIC conducted a risk assessment for one of its components and brought together key informants from across Canada. Although the face to face facilitated risk assessment was beneficial both as a management exercise and as input to the RBAF, senior management felt that the cost involved (travel, lodging, participants' time and risk facilitator) was too high to consider a facilitated risk assessment for the rest of the component RBAFs.

What makes it more difficult is the way risk information is stored and tracked, in various formats at different locations. For example, for the assessment done last year, with exception to the general risk information in the RBAF, further details of the risk assessment have subsequently been misplaced making the whole process less effective. Senior management finds it extremely difficult to track the information and actions that were agreed on during the assessment, drastically reducing the benefits of the exercise.

Ms Jan Doe is concerned that the cost and other resource factors contribute to the risk assessments not done properly and timely. She recognizes the need for a more efficient and cost-effective automated process which will facilitate the overall risk assessment process as well as tracking and monitoring risk information. She also foresees a need to use a common risk management process to make staff familiar with the process as well as facilitate the common understanding and sharing of risk information within the program.

Solution

Implementing eRiskScorecard™ in the EEIC environment will provide solutions to all the above mentioned problems faced by the Program Manager.

eRiskScorecard™ is supported by a powerful web portal which allows the participants to create a secure electronic workspace and contribute in a collective real-time risk assessment. The managers from their respective remote locations can log onto the system to enter and share data electronically, drastically reducing the time, cost and efforts and resulting in better attendance and analysis. The system provides all the features required to conduct a group risk assessment session required for the development of an RBAF. By effectively neutralizing a major barrier to conducting risk assessments, the eRiskScorecard™ will promote systematic risk assessments on a more regular and continuous basis.

A consolidated information database provides the capacity for recording the historical risk data and integrating a number of risk assessments throughout the life-cycle of the program. This provides senior management the ability to track and monitor the risk management process as well as access the information from the past risk assessments.

The risk management process used in the eRiskScorecard™ is based on a manual process widely used within the public sector.

Risk Management Process

The simple but highly effective risk management approach used in the eRiskScorecard™ is fully compliant with the requirements of the TBS RBAF Guide. In fact, the sample approach set out in the TBS Guide is the manual version of eRiskScorecard™.

eRiskScorecard™ has two main components:

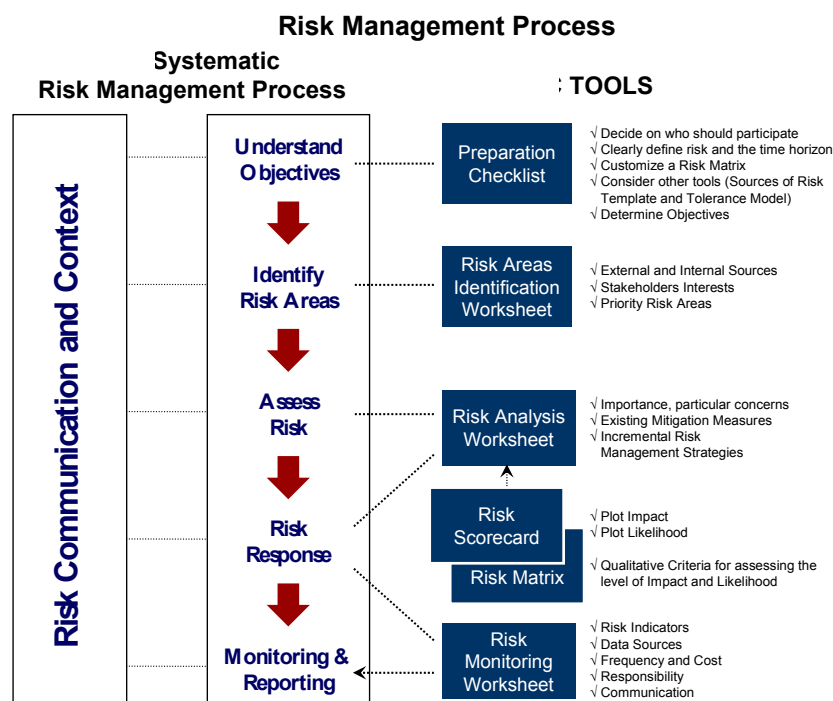
- Planning & Context; and
- Risk Management Sessions.

The Planning and Context Component contains key functionality that ensures a manager using the eRiskScorecard™ will accurately identify and consistently assess relevant risks. With eRiskScorecard™, the program manager can select and refine key appropriate risk management support tools that support such as: participants; time horizon; Risk Matrix (criteria for likelihood and impact), tolerance levels, sources of risk templates etc. The customization of support tools is a key feature of eRiskScorecard™ that ensures users produce valid, reliable and credible risk information during the Risk Management Sessions.

The Risk Management Session includes following five steps:

- 1) Clearly articulate and understand objectives.
- 2) Identify all Risk Areas at the strategic, operational and project levels.
- 3) Assess the level of likelihood and impact of risks as well as existing mitigation measures to arrive at a residual level of risk.
- 4) Prepare a response strategy (i.e. avoid, transfer, accept, mitigate) to achieve an appropriate cost-effective balance of risks, opportunities and stakeholder needs/tolerances.
- 5) Develop monitoring and reporting strategies to periodically re-assess risk and the effectiveness of controls in support of a continuous learning environment.

During the risk management process, the users use various worksheets, techniques and support tools as displayed in the Exhibit below.



The step-by-step on-line help feature guides the participants through each step of the process giving them a thorough understanding of the process. The effectiveness of the process increases manifold when a participant goes through the systematic process along with other participants collectively identifying, assessing and evaluating the key risks to the program.

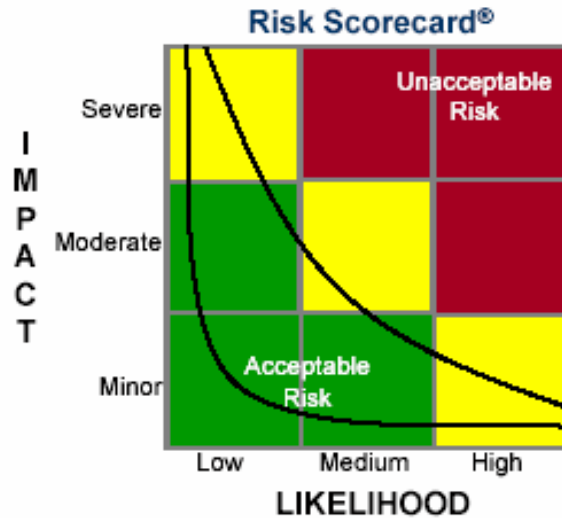
Monitoring

The monitoring component supports the review and monitoring of all the risks which are considered to be of high priority. eRiskScorecard™ facilitates the Program manager in developing risk indicators and assign responsibility for various risks.

Reporting

The final reporting process allows program staff to report and summarize the data collected from all sources in a variety of views and perspectives. An important feature is Risk Register which provides a summarized view of key risks and what are the steps taken to monitor them.

In addition, the program manager can generate any kind of reports by plugging in crystal reports with the system.



eRiskScorecard™ Benefits

- **A risk management process aligned with TBS Guidelines** – provides a consistent systematic method for identifying and assessing risk as well as identifying any incremental strategies needed to reduce the level of risk to a tolerable or acceptable level.
- **Integration with Other Information Systems** - A powerful feature of eRiskScorecard™ is its capability to be integrated with other major information system areas within a typical program environment including Records Management and Performance Management.
- **Real-time risk assessment and coordination from remote locations** – provides considerable saving in cost, timing and efforts through collaborative online access.