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# DP 082 2010-11-22 INTEGRATED RISK MANAGEMENT POLICY

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## 1. EFFECTIVE DATE

This departmental policy (DP) takes effect on November 22, 2010.



## 2. CONTEXT

The risk management framework for federal government departments and agencies is provided by the Treasury Board Secretariat (TBS) through the [Framework for the Management of Risk](#) (2010). The Framework supports the principles of good public service management as identified in the [Management Accountability Framework](#).

The purpose of this DP is to support the commitment of Public Works and Government Services Canada (PWGSC) to integrate risk management principles into business planning, decision-making and operational processes. It is also to encourage responsible risk-taking that contributes to the achievement of organizational objectives. In doing so, PWGSC will improve its organization-wide risk management practices, be better positioned to manage its key risks at the corporate level, and be a leader in risk management in the federal government.

In addition, this DP supports the Department's efforts to conduct its governance responsibilities in line with the [Values and Ethics Code for the Public Service](#) and the PWGSC [Statement of Values](#). Executives, managers and employees must ensure risk related decisions are taken in accordance with these statements.

Finally, it is recognized that there is a range of mandates for units, sectors, branches, regions and special operating agencies. It is expected that risk management elements will be adapted to specific situations but that their underlying principles as defined in the documents mentioned above will remain constant.



## 3. POLICY STATEMENT

In compliance with the TBS Framework for the Management of Risk and the Management Accountability Framework, Public Works and Government Services Canada integrates risk management practices and processes into business planning, decision making and operational processes in order to effectively manage program costs, maximize opportunities, fulfill its mandate and achieve broad government objectives.



#### 4. SCOPE

This DP applies to all strategic, policy, project and operational activities at PWGSC. It also applies to the responsibilities and activities of all employees in the Department.



#### 5. DEFINITIONS

The definitions are based on the TBS Framework for the Management of Risk, the Canadian Standards Association's Q850 and the International Standards Organization's 31000.

Impact (*impact*) is an outcome of an event affecting objectives.

Integrated risk management (*gestion intégrée du risque*) is a systematic and continuous approach to understand, communicate and manage risk from an organization-wide perspective. It involves making strategic decisions that minimize negative consequences and maximize opportunities that contribute to the achievement of an organization's corporate objectives.

Issue (*enjeu*) is a final outcome, certain event and/or an ongoing concern that must be managed proactively.

Likelihood (*probabilité*) refers to the chance of something happening, whether defined, measured or determined objectively or subjectively, qualitatively or quantitatively and is described using either general terms or mathematically.

Residual risk (*risque résiduel*) is the remaining risk after a risk response has been applied. It may contain unidentified risks.

Risk (*risque*) refers to the effect of uncertainty on objectives. It is the expression of the likelihood and impact of an event with the potential to influence positively or negatively an organization's success in achieving its objectives.

Risk acceptance (*acceptation des risques*) is an informed decision to accept a risk. Risk acceptance can occur without a risk response or during the risk response process, and it is subject to monitoring and review.

Risk appetite (*appétit du risque*) refers to how much and the type of risk an organization is willing to pursue or take on to ensure it has ample opportunity to achieve its objectives.

Risk assessment (*évaluation des risques*) refers to assessing risks, measuring their likelihood and impact, ranking the risks, and implementing an appropriate response to them by considering the costs and benefits of measures for managing the risk and the needs, issues and concerns of stakeholders.

Risk communication (*divulgarion des risques*) is the transfer or exchange of information among stakeholders about the existence, nature, form, severity, or acceptability of risks. It also includes reporting and review.

Risk management (*gestion des risques*) is a systematic approach to setting the best course of action under uncertainty by identifying, assessing, analyzing, managing, evaluating, controlling, and communicating risks. Risk management involves the review and evaluation of strategies, policies and practices.

Risk management plan (*plan de gestion des risques*) is the document that specifies the approach, the management components and resources to be applied to the management of a risk.

Risk mitigation (*atténuation du risque*) is a risk response taken to reduce an undesired consequence.

Risk of ethical reputation (*risque d'atteinte à la réputation éthique*) refers to risk of making a decision without appropriate consideration to values and ethics. The impact of the risk when making an unethical decision is loss of public confidence and credibility; negative media coverage; loss of financial resources; delays in processes / results; low employee morale and reduced productivity; and, in an extreme situation, putting the future of PWGSC at risk.

Risk perception (*perception des risques*) is the value or concern with which stakeholders view a particular risk, irrespective

of the expected or likely loss associated with the risk. Risk perception plays an important role in establishing risk tolerance and formulating / adopting risk management strategies.

Risk profile (*profil des risques*) is a description of a set of risks.

Risk response (*réponse au risque*) refers to the risk measures or controls that are developed and implemented to address an identified risk. It can include avoiding the risk, seeking an opportunity, removing the risk, changing the likelihood of a risk, changing the consequences associated with a risk, sharing the risk with another party, and/or retaining the risk.

Risk tolerance (*tolérance à l'égard des risques*) is PWGSC's readiness to bear the risk after risk response has been applied.

Uncertainty (*incertitude*) is the state of having limited knowledge or understanding of an event and/or future outcome and its impact or likelihood.



## 6. Responsibilities and Accountabilities

1. The Deputy Minister (DM) / Associate Deputy Minister is responsible for the following:
  1. providing leadership and direction on the integration of risk management principles into strategic and operational activities at PWGSC;
  2. providing corporate direction on risk management, including risk tolerance, risk appetite and risk response;
  3. encouraging the development of a learning environment that promotes continuous improvement in risk management competencies and capacity;
  4. sharing and communicating best practices and knowledge on risk management within the Department and with other federal government departments (OGD) and agencies and the private sector;
  5. providing the TBS with timely advice on significant departmental risks as well as an annual overview of departmental risks and the associated risk responses and mitigation strategies;
  6. providing monitoring systems to ensure action plans flowing from risk assessments and internal audits are incorporated into departmental priority setting, planning and decision-making processes.
2. The Assistant Deputy Minister (ADM), Departmental Oversight Branch, is responsible for the following:
  1. acting as risk champion by providing leadership in the implementation of a risk-smart culture at PWGSC;
  2. providing strategic direction on risk tolerance, risk appetite and risk response as part of the oversight framework;
  3. sharing and communicating best practices and knowledge on risk management within the Department and with OGDs and agencies;
  4. providing functional guidance and advice to the Business Operations Committee (BOC) on all Treasury Board submissions and Memoranda to Cabinet;
  5. ensuring risk response strategies are in place to address risks in the Corporate Risk Profile;
  6. advising the appropriate functional head of any potential risks and/or vulnerabilities in a risk management plan, risk profile and/or action plan.
3. The Director General and Chief Risk Officer, Office of the Chief Risk Officer (OCRO), is responsible for the following:
  1. providing a risk lens in the development of the Report on Plans and Priorities and the Departmental Performance Report;
  2. providing functional guidance and strategic advice by identifying, validating, consolidating and reviewing corporate and operational risks to be discussed at the BOC;
  3. aligning the branch and regional risk profiles as well as the Operational Risk Profile to the Corporate Risk Profile;
  4. providing functional direction on risk tolerance, risk appetite and risk response;
  5. ensuring branch and regional work plans are aligned to the Corporate Risk Profile;
  6. sharing and communicating best practices and knowledge on risk management within the Department and with OGDs and agencies;
  7. developing departmental guidelines and performance indicators for the risk component of the business planning process;
  8. facilitating the opportunity for appropriate training on all risk-related issues and tools;
  9. developing and reviewing departmental guidelines for the assessment and mitigation of risk of ethical reputation within the context of departmental governance;
  10. developing management action plans for high risk areas;
  11. providing an oversight function on the application of this DP and risk management strategies and practices at PWGSC;
  12. reviewing and monitoring this DP to ensure its continued relevance.
4. The Director, Quality and Risk Management, is responsible for the following:

1. providing functional guidance and advice on corporate, operational and project risks;
2. developing and implementing the DP, processes, training and tools on risk management;
3. providing corporate ethical leadership on risk management and assigning departmental risk roles within the context of departmental governance;
4. sharing and communicating best practices and knowledge on risk management within the Department and with OGDs and agencies;
5. developing and maintaining the corporate and operational risk profiles.
5. The Chief Financial Officer is responsible for supporting the deputy head in the achievement of his mandate, through the following key roles:
  1. ensuring that robust risk-based account verification procedures are in place, in compliance with the [Financial Administration Act](#);
  2. assessing, in collaboration with the executive management team, principal business risks and financial resource implications of options and policy alternatives, and their impact on the Department's financial position;
  3. providing the DM with reasonable assurance that appropriate measures are taken to maintain an effective system of internal controls and that processes are in place to ensure the effectiveness of departmental financial management;
  4. providing a challenge function on financial management matters and use of public resources across the Department;
  5. advising the DM if a proposed course of action will result in undue financial risk or control exposure for the Department, or when the proposed course of action would not comply with the financial requirements of any legislation, regulation or policy.
6. The Chief Audit Executive is responsible for establishing plans and performing risk-based internal audits necessary to provide an independent annual assurance report to the DM on the adequacy and effectiveness of risk management, control and governance processes within the Department, as per the TBS [Policy on Internal Audit](#). This includes a review of the Corporate Risk Profile and departmental risk management arrangements to ensure an appropriate risk-guided focus and cycle.
7. The Audit and Evaluation Committee (AEC) is responsible for providing the DM with independent and objective advice, guidance, and assurance on the adequacy of the Department's risk management.
8. Assistant Deputy Ministers, Chief Executive Officers, Regional Directors General, Agency Heads and Directors General are responsible for the following:
  1. incorporating integrated risk management into the management framework, in accordance with risk management expectations;
  2. identifying and prioritizing corporate and operational risks and ensuring that significant risks are explicitly identified and managed in the Executive Dashboard, and that they are managed and brought forward to the BOC and/or the DM, as appropriate;
  3. developing and implementing management action plans for high risk areas;
  4. providing a supportive environment that encourages effective risk management, responsible risk taking, and learning opportunities;
  5. sharing and communicating best practices and knowledge on risk management within the Department and with OGDs and agencies;
  6. providing clear direction on risk tolerance, risk appetite and risk response;
  7. understanding and managing the level of risk associated with the policies, plans, programs and projects;
  8. developing and implementing departmental, branch and regional guidelines on the assessment and mitigation of risk of ethical reputation within the context of departmental governance;
  9. developing, monitoring and reviewing branch and regional risk profiles and using them to inform the Operational Risk Profile and Corporate Risk Profile.
9. Directors, functional managers, operational managers, project managers and specialists (including risk management practitioners and risk owners) are responsible for the following:
  1. ensuring the TBS and PWGSC risk management policies, and corporate risk management objectives, are respected when providing policy related advice, guidance and assistance;
  2. assessing and managing the level of risk associated with programs and operations;
  3. assisting clients, to ensure they have in place appropriate ongoing risk management planning including risk response strategies, and communication, training, control and monitoring activities;
  4. sharing and communicating best practices and knowledge on risk management within the Department and with OGDs and agencies;
  5. assessing and managing a risk and ensuring communication, consultation, monitoring and review of risks.
10. Branch Risk Divisions are responsible for the following:
  1. acting as first point of contact for risk management advice and guidance for the Branch;
  2. acting as the liaison between the Branch and the OCRO;
  3. communicating, monitoring and reporting risks to the Branch;

4. providing guidance and advice to the Branch;
  5. developing and delivering training, tools, and guidelines on risk management at the branch and regional levels in collaboration with the OCRO.
11. Employees are responsible for the following:
1. staying informed on risks related to their activities and projects by consulting with management;
  2. considering risk as part of every business decision and taking prompt action to manage risk (including communicating information on risk) in accordance with direction on risk tolerance, risk appetite and risk response;
  3. ensuring decisions taken are in accordance with the [\*Values and Ethics Code for the Public Service\*](#) and the PWGSC [\*Statement of Values\*](#).



## 7. REFERENCES

Treasury Board Publications:

- [\*Framework for the Management of Risk\*](#);
- [\*Integrated Risk Management Implementation Guide\*](#);
- [\*Management Accountability Framework\*](#);
- [\*Results for Canadians: A Management Framework for the Government of Canada\*](#);
- [\*Values and Ethics Code for the Public Service\*](#).

PWGSC Publications:

- [\*Risk Management Guide\*](#);
- [\*Statement of Values\*](#). (PDF Format)

Other Publications:

- CSA Q850 2010;
- Guide 73 Risk Management Terminology ISO;
- ISO 31000 2009.



## 8. CANCELLATION

This DP cancels the version dated 2004-11-05.



## 9. INQUIRIES

Director, Quality and Risk Management  
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