

The Status of Enterprise Risk Management in the Government Ministries of British Columbia

Released: [June 2011](#)

First Follow-up: [October 2012](#)

Discussed by the Public Accounts Committee: [June 11, 2012](#)

	Rec 1	Rec 2	Rec 3	Rec 4	Rec 5	Rec 6	Rec 7	Rec 8	Rec 9	Rec 10
OAG Assessment	●	●	●	●	●	●	●	●	●	●

● Fully/substantially implemented or alternative action taken ● Partially implemented ● No action taken

BACKGROUND

EFFECTIVE RISK MANAGEMENT is integral to the success of any organization. Risk management and enterprise risk management (ERM) are processes of identifying, assessing, and managing risk to achieve desired outcomes. Risks are different for every ministry and can be financial, reputational, operational, legal, and/or technological in nature, just to name a few. Awareness of potential risks and subsequent planning and actions can mitigate risks, and contribute to efficient, effective programs. Conversely, poor risk management can result in economic loss, missed opportunities, and even the loss of life.

Our 2011 audit report was comprised of three separate reports that examined ERM in ministries from different levels: the central government, ministry and program level. The audit found that government had made insufficient progress in integrating ERM into its practices despite the official adoption of a risk-based approach in 2002 – a decade prior to the audit. The report made 10 recommendations.

SUMMARY

Of the 10 recommendations in our 2011 audit report, the ministry reported six as fully/ substantially implemented or alternative action taken, and four as partially implemented or no action taken. We found that the ministry’s self assessment was valid for all but one recommendation. The ministry self-assessed recommendation 10 as alternative action taken, whereas we found that partially implemented was a more accurate assessment of the progress made to date. The ministry agreed with our assessment.

We are encouraged to see, that in response to the audit recommendations, the Risk Management Policy was revised and all ministries are now using government’s approved risk management template as part of their approach. Government is working towards ensuring ministries self-assess the maturity of their ERM process as well as reporting to the Deputy Ministers’ Council on ministries’ ERM maturity and ministries’ progress in mitigating risks.


Given the significant size and scope of its operations, government needs a systematic approach to managing risk to make fully informed decisions. Implementing the outstanding recommendations detailed below is crucial to successfully integrating enterprise risk management across the ministries. We look forward to seeing continued progress through future assessments.

Key Findings

We recommend that government develop an appropriate accountability mechanism to ensure ministries are held accountable for ERM. This should include:

Recommendation 1: Regular assessments of ERM maturity for every ministry

OAG Assessment:

 Partially implemented

Our 2011 audit assessed the maturity of every ministry’s ERM process, which is the extent to which ministries have implemented an effective ERM process. We found that most ministries were still working to put the fundamentals in place.¹ In response to the audit report, government revised its Risk Management Policy (“Core Policy”)² to require ministries to conduct self-assessments of ERM implementation and report to the Risk Management Branch (RMB) every three years. RMB has advised that the first ministry self-assessments will be reported to RMB by June 2015.

Recommendation 2: ERM targets within Deputy Minister accountability letters

OAG Assessment:

 No action taken

Government has not included ERM targets in Deputy Minister accountability letters. Our 2011 audit found that RMB is not in a position to hold ministries accountable for establishing an ERM process and that further measures were required to ensure accountability for ERM implementation. While this recommendation has not been implemented, we note that its intent is addressed to some extent through government’s actions and planned actions in response to Recommendations 3, 4, and 5 – revision of Core Policy to require RMB to report to the Deputy Ministers’ Council on ERM maturity and performance, and to report to Cabinet on enterprise-wide risks. While these actions will improve accountability, leadership nevertheless needs to set the ‘tone at the top’ to ensure ERM implementation.

Recommendation 3: Annual reporting of ministry-level risk registers


OAG Assessment:

 Fully/substantially implemented

Annual reporting of ministry-level risk registers to RMB is in place. It is encouraging to find that all ministries are now using RMB’s approved risk register template as part of their approach to managing risk. There remain opportunities to improve the quality of several ministry risk registers, particularly with respect to tracking how risks are or are expected to be mitigated – an essential component to effective risk management. Ministries should continue to improve the quality and completeness of their risk registers to ensure progress towards mitigating risk.

Recommendation 4: Regular reporting of ministry ERM performance to the Deputy Ministers’ Council³

OAG Assessment:


 Partially implemented

Since the report was published, government revised the Core Policy to require RMB to report semi-annually on ministry ERM performance to the Deputy Ministers’ Council. RMB expects to report on ministry ERM performance by June 2014. Completing this step will provide an opportunity for the deputy ministers to understand how risks are being addressed and where further action is necessary.

We recommend that the Risk Management Branch:

Recommendation 5: Report to the Deputy Ministers’ Council on ministries’ progress towards full implementation of ERM.

OAG Assessment:

 Partially implemented

Since the report was published, government revised the Core Policy to require RMB to report on ministry ERM maturity to the Deputy Ministers’ Council every three years. RMB expects to report on ministry ERM maturity by June 2014, in concert with its report on ministry ERM performance (see Recommendation 4).

1 Our 2011 audit report assessed ministry ERM maturity based on a range of criteria including organizational culture, leadership and commitment, integration with management practices, capabilities, and reporting and controls.
 2 See Chapter 14 of the BC Government’s *Core Policy and Procedures Manual*.
 3 Recommendation 4 refers to ministries’ progress in identifying and successfully mitigating risks. This differs from Recommendation 5 which relates to ERM maturity, the extent to which ministries have implemented an effective ERM process.

Recommendation 6: Create and maintain an overall risk register for all ministries in the Province of BC based on annual ministry-level risk registers.

OAG Assessment:
 Fully/substantially implemented

RMB has created and maintained an overall risk register that captures the ministries' identified risks and mitigations in one document. It should be noted, however, that the usefulness of this document is subject to the completeness of the ministry risk registers which could be further improved as indicated under Recommendation 3.

We recommend that ministries:

Recommendation 7: Maintain up-to-date ministry-level risk registers that clearly assess the likelihood and consequences of identified risks.

OAG Assessment:
 Fully/substantially implemented

All ministries have maintained a risk register, assessing the likelihood and consequences of identified risks. Beyond the identification and assessment of risks, however, is a crucial next step: mitigating those risks to an acceptable level. As noted under Recommendation 3, the tracking of actions to mitigate risk could be improved. We encourage ministries to continue to improve the quality and completeness of their risk registers to ensure progress towards mitigating risk.

Recommendation 8: Utilize the Risk Management Branch's approved ERM process, tools, training and guidance, or consult with the Risk Management Branch to modify the tools if needed.

OAG Assessment:
 Fully/substantially implemented


Ministries are using RMB's approved ERM risk register template and the three ministries that we spoke with have been supported by RMB staff. We are encouraged to learn that ministry risk management coordinators have established a cross-government community of practice for sharing knowledge and good practices.

Recommendation 9: Appoint an ERM coordinator to assist with risk management and the maintenance of ministry-wide risk registers.

OAG Assessment:
 Fully/substantially implemented

The ministries have appointed an ERM coordinator to assist with risk management and the maintenance of ministry-wide risk registers.

Recommendation 10: Require their program areas to maintain a risk management process that includes a risk register, as appropriate, which can be rolled up to a ministry-wide risk register.

OAG Assessment:
 Partially implemented

The ministry initially self-assessed their progress as alternative action taken, whereas we found that partially implemented was a more accurate assessment of the progress made to date. Government did not provide direction to ministries through the Core Policy to act on this recommendation, and the ministry staff that we spoke with were not aware of their ministries acting in response to this recommendation. Our 2011 audit report found that program level risk registers were not always maintained, and if maintained, they were not rolled up to a ministry level risk register. However, in 2014, we found examples of risk management practices at the program level indicating partial progress. We encourage ministries to use the ERM maturity self-assessment process as an opportunity to determine the need for formal risk management practices at the program level as they work towards embedding risk management into their organizational culture and management practices.

The Status of Enterprise Risk Management in the Government Ministries of British Columbia

As at: February 19, 2014

Released: [June 23, 2011](#)

1st Follow-up: [October, 2012](#)

2nd Follow-up: [April, 2013](#)

Discussed by the Public Accounts Committee: [June 11, 2012](#)

Self-assessment conducted by Phil Grewar

Comments

Revised Government Risk Management Policy (CPPM Chapter 14) addressing the recommendations of the OAG report was approved and published. With the exception of the ERM maturity assessments and the ERM Deputy Minister accountability targets, the recommendations have largely been completed. The first iteration of the overall risk register for all ministries is being revised, based on comments received, and is currently undergoing updating based on the second iteration of ministry-level risk registers.

Recommendations

RECOMMENDATIONS ADDRESSED IN PREVIOUS FOLLOW-UP REPORT(S):	SELF-ASSESSED STATUS
Recommendation 8: Ministries utilize the Risk Management Branch’s approved ERM process, tools, training and guidance, or consult with the Risk Management Branch to modify the tools if needed.	Fully or substantially completed
Recommendation 9: Ministries appoint an ERM coordinator to assist with risk management and the maintenance of ministry-wide risk registers.	Fully or substantially completed
Recommendation 10: Ministries require their program areas to maintain a risk management process that includes a risk register, as appropriate, which can be rolled up to a ministry-wide risk register.	Alternative action taken

All information has been provided by the organization and has not been audited.

Outstanding Recommendations

RECOMMENDATIONS AND SUMMARY OF PROGRESS	SELF-ASSESSED STATUS
<p>Recommendation 1: Regular assessments of ERM maturity for every ministry.</p>	<p>Partially implemented</p>
<p>Actions taken, results and/or actions planned</p> <p>Core policy revision approved and published which requires ministries to conduct a Risk Maturity Self Assessment every three years. Due Q1 2015/16</p>	
<p>Recommendation 2: ERM targets within Deputy Minister accountability letters.</p>	<p>No Action Taken</p>
<p>Actions taken, results and/or actions planned</p> <p>Will be considered as new accountability letters are produced along with other strategic goals.</p>	
<p>Recommendation 3: Annual reporting of ministry-level risk registers.</p>	<p>Fully or substantially implemented</p>
<p>Actions taken, results and/or actions planned</p> <p>All ministries have completed and submitted ministry-level risk registers.</p>	
<p>Recommendation 4: Regular reporting of ministry ERM performance to the Deputy Ministers' Council.</p>	<p>Partially implemented</p>
<p>Actions taken, results and/or actions planned</p> <p>Report prepared and is currently being revised based on feedback and to include the most up to date information from ministries.</p>	
<p>Recommendation 5: The Risk Management Branch report to the Deputy Ministers' Council on ministries' progress towards full implementation of ERM.</p>	<p>Partially implemented</p>
<p>Actions taken, results and/or actions planned</p> <p>Report is awaiting updates from ministries on their initial risk registers. Expect to report in Q1 2104/15</p>	
<p>Recommendation 6: The Risk Management Branch create and maintain an overall risk register for all ministries in the Province of BC based on annual ministry-level risk registers.</p>	<p>Fully or substantially implemented</p>
<p>Actions taken, results and/or actions planned</p> <p>This has been done.</p>	
<p>Recommendation 7: Ministries maintain up to date ministry-level risk registers that clearly assess the likelihood and consequences of identified risks.</p>	<p>Fully or substantially implemented</p>
<p>Actions taken, results and/or actions planned</p> <p>This has been done.</p>	

All information has been provided by the organization and has not been audited.