

Advanced Education, Employment and Immigration

2

Main points	18
Introduction—Managing risk in a changing environment.....	19
Audit objective, criteria, and conclusion	19
Key findings and recommendations	21
Risks identified	21
Risk likelihood and impact analyzed	22
Risk tolerance evaluated	23
Plans for treating key risks are evolving	24
Key risks not yet monitored regularly	25
Selected references	26

Main points

The Ministry of Advanced Education, Employment and Immigration (Ministry) is responsible for managing risks related to post-secondary education, student support programs, training and employment services, and immigration services. The Ministry has adopted formal, agency-wide risk management processes.

Our audit found the Ministry's risk management processes were actively changing and were adequate during September 2010 to February 2011 except for its processes to monitor risks. We provided three recommendations.

Introduction—Managing risk in a changing environment

The Ministry of Advanced Education, Employment and Immigration (Ministry) is responsible for post-secondary education, student support programs, training and employment services, and immigration services. In 2010-11, it spent about \$936 million to carry out its mandate.¹

We audited the adequacy of the Ministry's agency-wide risk management processes.

All agencies face risks in achieving their objectives. Risks are missed opportunities or adverse events that could influence an agency's ability to meet its strategic objectives.² Risk management is the culture, processes, and structures that are directed towards realizing potential opportunities while managing adverse events.

Agency-wide risk management processes consider risks to the entire agency and their impact on major stakeholders as well as interactions among risks across the agency. The Ministry works with many external stakeholders (e.g., universities, regional colleges, SIAST, First Nations agencies, community organizations, and federal and provincial governments). The co-operation of these external stakeholders is essential for the Ministry to carry out its roles related to education, training, and immigration.

The Ministry is responsible to manage risks in a complex environment. Changes in the economy could influence post-secondary education, employment services, and immigration. Failure to identify and respond to risks from a broad perspective could have widespread and serious consequences. The Ministry needs good risk management processes to help it adapt to changing circumstances and take full advantage of opportunities while reducing threats to reasonable levels.

Audit objective, criteria, and conclusion

The objective of this audit was to assess the adequacy of the Ministry of Advanced Education, Employment and Immigration's agency-wide risk management processes during September 1, 2010 to February 28, 2011.

¹ Ministry of Advanced Education, Employment and Immigration interim financial reports 2010-11.

² ISO Risk Management Standard 31000: 2009.

To conduct this audit, we followed the *Standards for Assurance Engagements* published in the *CICA Handbook – Assurance*. To evaluate the Ministry's processes, we used the criteria set out in Exhibit 1.

We based these audit criteria primarily on the International Organization for Standardization's *Risk Management Standard 31000: 2009* and on the work of other auditors and current literature listed in the selected references. The Ministry agreed with the criteria.

Exhibit 1: Criteria

To have adequate processes for risk management, the Ministry should:

1. Identify risks
 - ◆ Build a common understanding (context) for risk management
 - ◆ Establish a comprehensive list of risks for each objective
 - ◆ Identify potential causes of risks or missed opportunities
2. Analyze risk likelihood and impact
 - ◆ Identify likelihood each risk will occur in short, mid, and long-term
 - ◆ Identify positive and negative impacts
 - ◆ List risks excluded due to low impact
3. Evaluate risk tolerance
 - ◆ Decide criteria for risk tolerance
 - ◆ Set priorities for risk treatment
 - ◆ Discuss with relevant stakeholders
4. Treat key risks
 - ◆ Identify options for treating priority risks
 - ◆ Assess cost and suitability of optional treatments
 - ◆ Select risk treatment plans
 - ◆ Communicate risk treatment plans to stakeholders
5. Monitor risks
 - ◆ Report action taken on risk treatment plan
 - ◆ Review outcomes of risk treatment and record residual risks
 - ◆ Review risk processes and record lessons learned

The Government's accountability framework suggests that ministries use a risk management process. During 2010 to 2011, the Ministry was actively changing its approach to risk management (e.g., from program-based to agency-wide). Its risk management processes were evolving.

We concluded that during September 1, 2010 to February 28, 2011, the Ministry of Advanced Education, Employment and Immigration

had adequate agency-wide risk management processes except for its processes to monitor risks.

Key findings and recommendations

We highlight what we expected (our criteria) in italics followed by our key findings and recommendations.

Risks identified

We expected the Ministry to build a common understanding for risk management among its staff (e.g., clarify agency-wide context, define key terms). We expected the Ministry to have processes to identify risks in relation to its broad objectives and identify potential causes of risks or missed opportunities.

The Ministry's risk management framework and policy created a foundation for a common understanding of risk management. The risk management framework expected staff would systematically identify risks for the whole Ministry. The risk management policy set out roles for the Deputy Minister's office³ (e.g., oversight, setting priorities), the executive management committee (e.g., assign risk owners, identify risks, reporting, training), and coordinating groups. Involving senior management in this way supports an agency-wide context for risk management.

A September 2010 workshop informed 47 Ministry managers about new agency-wide risk management processes. Reading material for the workshop communicated relevant definitions that helped build a common understanding of risk management.

The Ministry identified risks in the context of its mandate, annual plan, and a review of current issues. It identified risks that could interfere with achieving its plans. The Ministry did not document the relationship of its risks to specific strategic objectives or priorities (see Exhibit 2). Documenting this relationship would help the Ministry ensure it has identified risks for each of its objectives to form a comprehensive list of risks.

³ The Deputy Minister and assistant deputy ministers oversee risk management as members of the Executive Audit Committee which meets quarterly.

Exhibit 2: Excerpt from p. 3 of the Ministry’s *Plan for 2011-12*

The Ministry of Advanced Education, Employment and Immigration’s strategic objectives include the following:

- ◆ Ensure a skilled workforce to meet existing and future labour market demand
- ◆ Support increased attraction and retention of newcomers to Saskatchewan
- ◆ Improve the effectiveness and efficiency of the Ministry’s programs, services, and systems to ensure the best use of public funds

Source: <http://www.finance.gov.sk.ca/PlanningAndReporting/2011-12/AEEIPlan1112.pdf>

The Ministry stated its risks in a way that included the primary cause of the risk. For example, one of the Ministry’s risk statements was:

Lack of a comprehensive human resource strategy to manage Ministry human resources resulting in an inability to meet Ministry objectives due to inefficient and ineffective management of human resources.⁴

Risk likelihood and impact analyzed

We expected the Ministry to have processes to analyze the likelihood and impact of risks in the short, mid, and long-term and to identify positive and negative impacts. We expected the Ministry to list the low-impact risks that it did not analyze in detail.

The Ministry’s risk management policy expects staff will analyze the likelihood of risks and will consider positive opportunities as well as negative impacts. In 2010, the Ministry implemented a risk matrix. The risk matrix required analysis of the likelihood and impact of significant risks within one year, five years, and ten years. The risk matrix guided staff to analyze likelihood ranging from unlikely to almost certain. It also guided analysis of risk impacts ranging from negligible to catastrophic for various types of risk.

The Ministry’s risk matrix contained good guidance related to negative impacts (e.g., service delays, fraud). The risk matrix did not yet guide staff to consider positive impacts or opportunities that could affect the Ministry’s objectives (e.g., advanced technology could make service delivery more timely). Identifying positive impacts could help the Ministry explore opportunities that it may be missing.

⁴ Ministry of Advanced Education, Employment and Immigration: 2010 risk workshop, statements of risk.

Using the risk matrix, the Ministry analyzed the likelihood that identified risks would occur and the potential impact of these risks on the Ministry's ability to achieve its objectives. It assigned a risk rating score to each risk. The rating score reflected whether the risk was more likely to occur within three, five, or ten years and its probable impact on the Ministry's ability to achieve its goals.

The Ministry had not yet listed the risks it anticipated would have a low impact. Such a list would clearly show which risks would not be analyzed in detail. Instead, the Ministry focused on its priorities for action.

Risk tolerance evaluated

We expected the Ministry to have processes to evaluate risk tolerance by setting criteria for how much risk the Ministry should tolerate or accept. We expected the Ministry to use its risk-tolerance criteria to set priorities for risk treatment and to discuss its risk tolerance with relevant stakeholders.

To explain its risk tolerance, the Ministry used a heat map or chart showing the level at which it would consider risks acceptable (green) or unacceptable (red). Using its risk rating scores, the Ministry placed its most serious risks on a heat map. This approach gave staff some general guidance on the Ministry's tolerance for various types of risks (financial, operational, legal, human resources, technology, etc.).

The Ministry's risk management policy expected senior management to direct resources to areas of greatest risk or opportunity. Using the risk rating scores and other information, senior management judged which risks were its key priorities. The Ministry identified four priority risk areas—program evaluation, human resources, information technology, and third party accountability relationships.

Senior management communicated these top priority risks through managers who attended the September 2010 risk workshop. The Ministry communicated informally with its major external stakeholders (e.g., universities, regional colleges) but seldom discussed its risk tolerance.

Plans for treating key risks are evolving

We expected the Ministry to have processes to identify options for treating key risks and assess their cost and suitability. We expected the Ministry to decide how to treat key risks (risk treatment plans) and communicate these plans to relevant stakeholders.

In January 2010, the Ministry's senior management discussed four potential options to treat risks (i.e., avoid the risk, reduce it, transfer the risk to others, or accept the risk). Taking this perspective on managing risks would help the Ministry consider a wide range of options. The Ministry communicated these alternative ways of treating risks to its managers prior to its September 2010 risk workshop.

The Ministry had varied processes for developing options to treat its priority risks. For example, senior management regularly discussed human resources risks. The Ministry began an organizational review to consider options for re-structuring its human resources and addressing its human resources risks. An information technology steering committee was gathering information and exploring options related to the Ministry's information technology risks.

The Ministry did not document the options discussed, their costs, or suitability. Documenting these options would make the Ministry's decision processes more efficient and highlight areas where the Ministry needs further analysis of costs and suitability.

- 1. We recommend that the Ministry of Advanced Education, Employment and Immigration document its assessment of the cost and suitability of options for treating its priority risks.**

In early 2011, the Ministry was in the process of developing risk treatment plans for its priority risks. Senior management received a written framework about program evaluation across the Ministry. The framework included some goals and listed completed and proposed program evaluations. This framework formed a base for a risk treatment plan for program evaluation. Senior management also received a similar framework to address third party relationships and accountability reports

including reports required by law.⁵ Ministry committees were actively working toward risk treatment plans for its information technology and human resources risks.

The Ministry did not have a formal process to communicate with relevant external stakeholders about its priority risks and how the Ministry planned to reduce these risks or explore new opportunities. Actions taken by other organizations influence the Ministry's ability to achieve its objectives. Consulting with its major stakeholders could provide additional information and opportunities to share risks with others. Collaboration with key stakeholders could help the Ministry manage its risks in a more timely and economical way.

- 2. We recommend that the Ministry of Advanced Education, Employment and Immigration consult with relevant stakeholders about options for reducing significant risks.**

Key risks not yet monitored regularly

We expected the Ministry to have processes to regularly monitor its actions to manage key risks. We expected the Ministry to review the outcomes after treating risks (e.g., in terms of reducing risks, increasing opportunities, recording residual risks that remain). We expected the Ministry to review its risk management processes periodically and record lessons learned.

The Ministry's December 2010 risk management policy required quarterly reports to senior management to monitor actions taken on identified risks. The Ministry was in the process of determining how to implement this policy. In early 2011, senior management received verbal reports. The Ministry did not have a process to provide timely written reports to help senior management monitor key risks.

For example, minutes showed senior management often discussed actions taken to address program evaluation and human resources risks. Senior management told us they did not receive written reports to monitor outcomes or residual risks remaining after its efforts to control key risks.

⁵ For example, in April 2011, the Ministry released a review of regional colleges that is required by *The Regional Colleges Act* section 6(1) every five years. *Saskatchewan's Regional Colleges: Towards a New System* (the Atkinson Report) is available at <http://www.aeei.gov.sk.ca/regional-college-review-report>.

Timely information is important to monitor key risks. Monitoring outcomes could help the Ministry take prompt action to address significant changes in key risks.

3. We recommend that the Ministry of Advanced Education, Employment and Immigration regularly monitor and report to senior management the results of their risk management activities.

During our audit period, senior management reviewed its planned processes for agency-wide risk management. For example, it evaluated its September 2010 risk workshop. Senior management discussed what worked and what did not. During our audit period, it did not have a formal process for documenting the lessons it learned about its risk management processes.

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