



# ENTERPRISE RISK MANAGEMENT

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*Société  
immobilière*  
Québec 

# Organization Overview

Société immobilière du Québec is a state-owned enterprise whose mission is:

- to provide ministries and public agencies of the Government of Québec with workplaces and construction, space and building management services and expertise.

# Risk Management—Overview

Risk is **everywhere!**



# Risk Definition and risk management formula

- Inherent risk
- Level of risk exposure (impact x probability)
- Mitigation measure
- Residual risk = inherent risk - mitigation
  - Accept
  - Reduce
  - Transfer

# Strategic Risk Management



# Why Implement a Risk Management Program at SIQ

- A choice (and an obligation as well...)
  - State-Owned Enterprises Governance Act
  - Duties and responsibilities of the Board of Directors

## And How

- Implementation of an enterprise risk management policy (roles and responsibilities)
- Mandate given to the Internal Audit Department

# Risk Management Program sequence

- Strategic risk management
- Operational risk management
- Business continuity plan (headquarters)
- Business continuity plan (regional offices)\*
- A three year cycle

*\*to come*

# Strategic Risk Management

- Major risk identification and documentation (brainstorming with board of directors and top management)
- Method of voting: the Resolver Ballot
- 22 major risks identified



# Strategic Risk Management

- Prioritization: Top 10 inherent risks
- Assessment of the effectiveness of our mitigation method (design and operation)
- Residual risks (very low to very high)

# Top 10 Strategic Risks

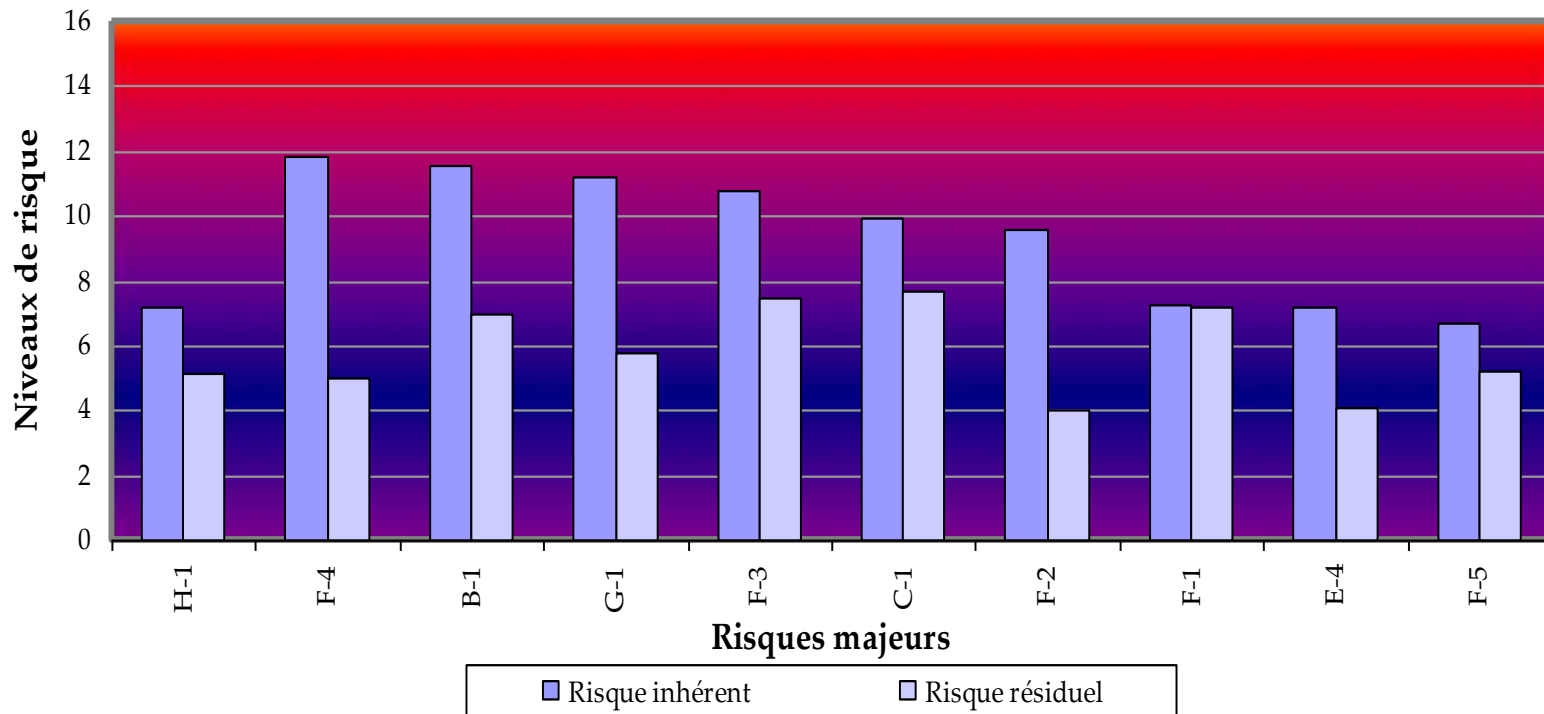
- Modernization of all IT systems
- Construction projects < \$5 Million
- Contract award and management
- Recruitment of competent young workers (succession planning)
- Lease negotiation and management

# Top 10 Strategic Risks

- Relationships with customers and business partners
- Construction projects > \$5 Million
- Consistency between regional offices
- Internal control mechanisms
- Property management

# Strategic Risk Management

Risques inhérents et résiduels des 10 risques majeurs de la SIQ



# Strategic Risk Management

- Improvement methods (mixed working groups)
- Awarding plans for sustainable improvement (risk owners)
- Annual monitoring and accountability auditing by the internal auditor

# Top 10 Strategic Risks—A few Examples

## Relationships with customers and business partners

- Five elements of risk:
  - Complaint management
  - External information disclosure
  - Perception management
  - Evolution of customer needs
  - Evolution of the real estate market

# Top 10 Strategic Risks—A few Examples

- Action plan (schedule and supervision)
  - Conduct post-mortem meetings with dissatisfied customers
  - Implement and maintain a customer complaint register
  - Create a customer service committee
  - Develop a three-year plan and ensure annual monitoring by the Internal Auditor

# Top 10 Strategic Risks—A few Examples

## Consistency between regional offices

- Four risk elements:
  - Customer request processing
  - Information processing (systems)
  - Accountability
  - Consistent application of rules and policies



# Top 10 Strategic Risks—A few examples

- Action plan (schedule and supervision):
  - Addition of Coordinator positions
  - Administrative audits
  - Review of supporting documents
  - In-depth procedure training

# Operational Risk Management



# Operational Risk Management

- General approach:
  - 12 categories of risk
  - Fields of activity (operation and support)
- Specific approach
  - Identify and describe macro-processes/units
  - Analyze and compare with specific risk factors
  - Describe mitigation measures
  - Identify improvement methods
  - Develop and implement action plan

# Operational Risk Management

## 12 categories of risk

Major disasters

Organization  
and strategy

HR management

Global business  
environment

Governance and  
communication

IT management

Compliance

Operation  
management

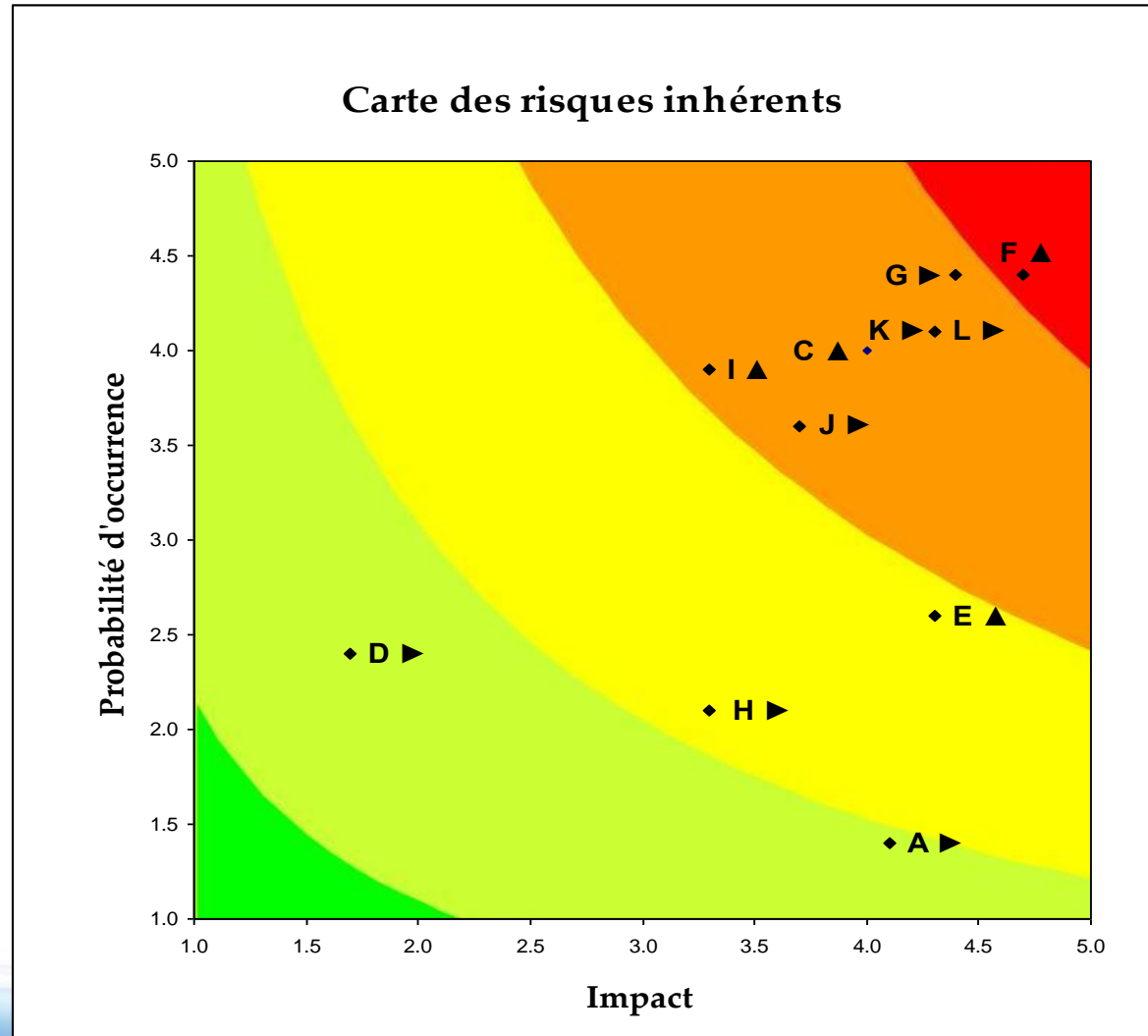
Financial  
management

Customers /  
partners

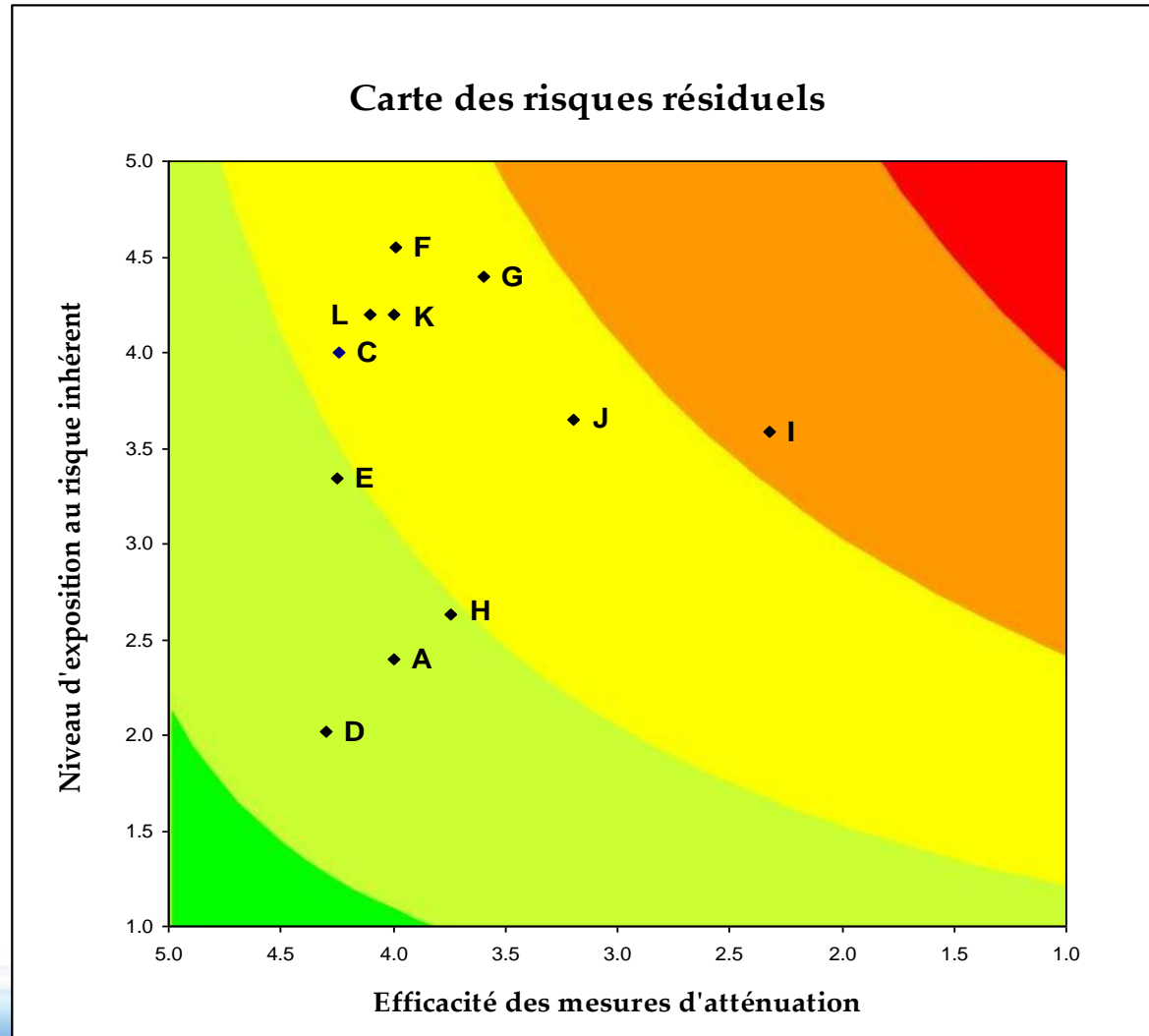
Project  
management

Fraud

# Operational Risk Management



# Operational Risk Management



# Case Study

- Targeted risks: Regulatory compliance, HR management
- Measure: Improve monitoring mechanisms
- Actions: Establish research and release procedures (topics, methods, responsibilities, guidelines)
- Results as of March 31<sup>st</sup>:
  - Procedures approved as of November 2012
  - Appointment of six business intelligence specialists
  - Seven business areas covered (out of 17)
  - Three intelligence network meetings

# Operational Risk Management

- Cross analysis shows that operational risks often turn out to be strategic risks.





# Business Continuity Plan



# What is Continuity?

- Strategic and tactical ability for an organization to plan for and respond to incidents and business disruptions in order to continue business operations at an acceptable predefined level.

*Source: Business Continuity Institute*

# Business Continuity Plan

- Risks targeted by the business continuity plan have a specific impact on:
  - Material resources
  - Property resources
  - IT resources

# Operational Impact Assessment

- For every unit, identify:
  - Key functions
  - Peak periods
  - Interdependence
  - Vital resources
  - Key employees

# Operational Impact Assessment

- Impact assessment:
  - Financial
  - Corporative image
  - Legal requirements
  - Employee motivation
  - Other units/functions

# Required Continuity According to Time

- Employees
- Material resources (equipment)
- Offices (workstations)
- IT applications

# Choosing a Business Continuity Strategy

- Criterias:
  - Maximum acceptable limit for the duration of interruption
  - Maximum acceptable limit for data loss
- Continuity options assessed according to
  - Feasibility
  - Efficiency
  - Costs)

# Case Study: New Offices for the Strategic Planning Department

## Required property resources

	Normal	1 day	3 days	1 week	2 weeks	1 month	
<b>Workstations</b>	5	0	1	1	2	5	<b>teleworking</b>

## Strategies

<b>Workstations</b>	<b>Choice</b>
Other equipped site owned by SIQ	Selected
Other non-equipped site owned by SIQ	Selected
Other rented and equipped site	Not selected
Case-by-case basis	Not selected



# Next Steps

- Enterprise risk management based on a new three-year cycle
- Review and rationalization of internal controls
- Business continuity plan for the regional offices, with two control units

# Risk Management: Tips and Lessons

- Limits and constraints:
  - Perception-based approach
  - Variable risk tolerance
  - Difficulties distinguishing inherent risk from residual risk
  - Substantial investment of time

# Risk Management: Tips and Lessons

- Conditions for success:
  - Senior management endorsement (tone from the top)
  - Proper communication of the strategy's objectives
  - Proper precision level (not too vague nor too detailed)
  - A pilote in the cockpit—an independent coordinator (e. g.: Internal auditor)

# Risk Management: Tips and Lessons

- Conditions for success:
  - Bring in independent expert
  - Form multidisciplinary teams
  - Coordinate strategy in accordance with the organization's objectives
  - Comply with the organization's workload

# Enterprise Risk Management

## Major Benefits

- Strengthen organizational governance
- Facilitate objective achievement
- Maintain integrity and reputation
- Increase operational efficiency
- Reduce damage control
- Ensure a better understanding of issues
- Develop a prevention-based culture

**THANK YOU!**

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