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 measure
  - 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**

Le graphique montre les niveaux de risque inhérents et résiduels pour les 10 risques majeurs de la SIQ. Les niveaux de risque sont indiqués sur l'axe des ordonnées, allant de 0 à 16. Les risques sont représentés par des barres de différentes tailles, indiquant leur importance relative. La comparaison entre le risque inhérent et le risque résiduel est clairement visible pour chaque risque.
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
- Global business environment
- Compliance
- Customers / partners
- Organization and strategy
- Governance and communication
- Operation management
- Project management
- HR management
- IT management
- Financial management
- Fraud
Operational Risk Management

Carte des risques inhérents

Impact

Probabilité d'occurrence

1.0  1.5  2.0  2.5  3.0  3.5  4.0  4.5  5.0

Impact
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 31st:
  – 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

• Criteria:
  – 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

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Strategies

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</tr>
<tr>
<td>Other rented and equipped site</td>
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<tr>
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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!