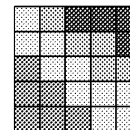


**Integrated Risk Management
Gestion Intégrée du risque**



Fisheries and Oceans Canada

2011 Corporate Risk Profile

as approved by the

Departmental Management Committee

September 22, 2010

2011 Corporate Risk Profile

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Executive Summary

Introduction

This document is the 2011 version of the Corporate Risk Profile (CRP) for Fisheries and Oceans Canada (DFO). It identifies DFO's corporate-level key risks and senior management accountabilities for responding to those risks along with the governance approach and next steps for monitoring and reporting on the status of risk mitigation. It is based on the results of a joint day-long workshop on June 16, 2010 attended by members of both the Departmental Audit Committee (DAC) and the Departmental Management Committee (DMC). The CRP content is considered essential for informing decision-making on matters such as targeting intended outcomes, setting priorities, allocating resources, implementing programs, managing human resources, and measuring performance. Processes under the CRP and the EAP are closely coordinated.

Methodology

Main aspects of the methodology include:

- Conformity with DFO and TBS Policies
- Building on the CRP approved in 2009
- Consultation with Internal Audit Directorate (IAD)
- Lessons Learned from Risk Management under the Economic Action Plan
- Review of the Environmental Scan 2010

What's New in 2011 CRP

Changes and adjustments in this 2011 CRP are:

- Better coverage of external risks
- Modified governance: there are no longer risk champions; DGs are to be the main OPIs for managing risk
- Identification of intermediate outcomes at risk
- Introduction of a formal process for monitoring and reporting mitigation progress
- Next steps to follow-through on the CRP once approved by DMC (See Section 6.0).

Key Corporate Risks and Outcomes at Risk

The key corporate risks identified and assessed by DMC are :

- **Internal Risks**(aspects, trends, events and circumstances from the internal context or environment in which DFO operates)
 - Human Capital, Information for Decision-making, Physical Infrastructure, Strategic Alignment, Financial Capacity and Communications Capacity
- **External Risks**(aspects, trends, events and circumstances from the external context or environment in which DFO operates)
 - Legal , Third Party Reliance, Climate Change, Economic/Market Pressures, Overcapacity/Over-fishing, Higher Input Costs and Hazard-type and Crisis-type Risks

- **Intermediate Outcomes at Risk**

- Public Confidence and DFO Reputation, DFO Risk Culture, (Risk-smart Work-force), IRM Effectiveness and Relevance, Understanding of DFO Risk Tolerance

Next steps

To follow-through on the CRP:

- Present to DAC
- Briefing of program and functional DGs
- Review of CRP by DGs for material risk elements relevant to specific programs and functions
- Development of mitigation responses by DGs, in collaboration with regional colleagues, and integration of them into business and operational plans; to include communications strategies
- Reporting by DGs to DMC on status of mitigation responses at mid-year and year-end

1.0 Introduction

This document is the 2011 version of the Corporate Risk Profile (CRP) for Fisheries and Oceans Canada (DFO). It identifies DFO's corporate-level key risks and senior management accountabilities for responding to those risks along with the governance approach to monitoring and reporting on the status of risk mitigation.

This 2011 CRP updates the 2009 version and is based on the results of a joint day-long workshop on June 16, 2010 attended by members of both the Departmental Audit Committee (DAC) and the Departmental Management Committee (DMC). For highlights on this workshop, see Appendix A.

The CRP supports the risk management imperative of senior management, namely that it have and provide assurance that all material risks are identified, assessed, mitigated (controlled) and monitored and that mitigation results are reported to senior management for evaluation and decision-making.

The CRP content is considered essential for informing decision-making on matters such as business planning at both the strategic and operational levels, targeting intended outcomes, setting priorities, allocating resources, implementing programs, managing human resources, and measuring performance.

Integration of risk management into all decision-making is what makes it meaningful and relevant. Attention to risk exposure and developing appropriate responses to mitigate risks facilitate the implementation of all phases in the planning cycle and supports senior management oversight in achieving departmental objectives and outcomes. See text box below and Annex F for graphic depictions of phases of the integrated risk management cycle. Note also in Annex F how the risk cycle phases are synchronized with other management phases such as RPP, DPR, Mid-year Review and the Environmental Scan.

Integrated Risk Management	
Our Strengths <ul style="list-style-type: none"> ➤ Identifying Risks ➤ Understanding Risk ➤ Assessing Risks ➤ Developing the Corporate Risk Profile 	DFO's Corporate Risk Profile <ul style="list-style-type: none"> ✚ Identifies risks ✚ Analyses risks ✚ Identifies Accountability ✚ Identifies Mitigation Strategies ✚ Delineates a framework for Monitoring ✚ Communicates Risks ✚ Supports Decision-making ✚ Integrates into business and operational planning ✚ Links to performance measurement and to personal accountability accords
Moving Forward <ul style="list-style-type: none"> ➤ Full Integration with Business Plans ➤ Ensuring Accountability for Risk ➤ Monitoring Risk ➤ Monitoring Mitigation Strategies ➤ Reporting on Risk and Mitigation ➤ Communications ➤ Senior Management Overview 	

Risks associated with the Economic Action Plan (EAP) are managed under a different governance structure and so are not covered in this report. However, there is a senior oversight committee, the Budget Implementation Committee (BIC), chaired by the Deputy Minister, and processes under the CRP and the EAP are closely coordinated. In fact, many lessons were learned under the EAP which are now to be used to manage CRP risks. (See Section 2.4) and there is a risk management framework which identifies the EAP risks and mitigation responses. Mitigation responses are tracked and evaluated by the BIC. The EAP risk management process is entirely compatible and consistent with the IRM policies of DFO and TBS. Many lessons learned under the EAP are used to manage the CRP risks. (See Section 2.4)

The report is divided into several sections. Section 2.0 outlines the methodology followed to develop the 2011 CRP. There are a number of new features and adjustments in this 2011 CRP compared to the previous version and these are presented in Section 3. Section 4 has all the key risks identified by DMC at the joint DMC/DAC Workshop of June 16, 2010 and Section 5 outlines the intermediate outcomes at risk also identified at the June 16 workshop. In Section 6 next steps to follow though on the CRP are set out.

2.0 Methodology

This section outlines the methodology followed to develop the 2011 CRP. The main aspects of the methodology, discussed below, are:

- Conformity with DFO and TBS Policies
- Building on the CRP approved in 2009
- Consultation with Internal Audit Directorate (IAD)
- Lessons learned from risk management under the Economic Action Plan
- Review of the Environmental Scan 2010.

2.1 Conformity with DFO and TBS Policies

The 2011 CRP was prepared in conformity with DFO's Policy on Integrated Risk Management and its Integrated Risk Management Annual Cycle Process, with one exception: certain governance arrangements have been modified to better focus on the assignment of accountability for, and ensure the tracking and reporting on mitigation progress. This change is explained more fully in Section 3.2.

This policy compliance keeps the CRP current on an annual basis as required by the assessment criteria of the Management Accountability Framework of the Treasury Board Secretariat (TBS) and supports the Deputy Head in meeting her responsibilities for managing DFO's risks, as defined in TBS's new Framework for the Management of Risk. DFO has in fact participated on TBS-led interdepartmental working groups to develop the framework and other changes to TBS guidelines on integrated risk management.

The advice of the OCG in its *Horizontal Internal Audit of Corporate Risk Profiles in Large Departments and Agencies, November 2009*, was also followed. This latter calls for, among other things: a more complete CRP by ensuring inclusion of external risks; better definition of risk tolerance; and ensuring that there is progress tracking on mitigation strategies.

2.2 Building on the CRP approved in 2009

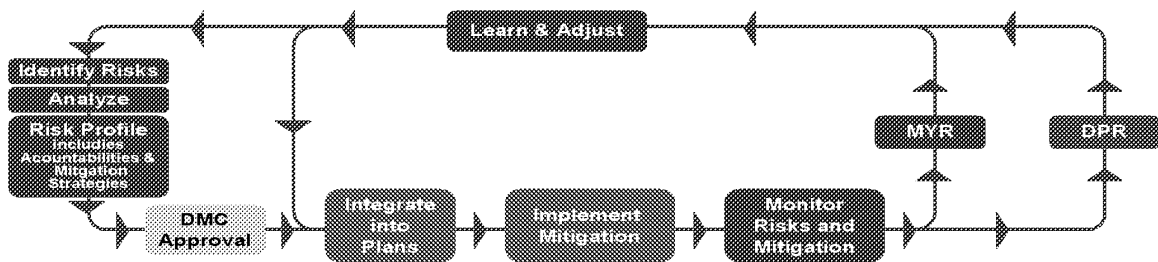
Integrated Risk Management Cycle

The Need:

- ➔ Part of Sound Management Practices
- ➔ Part of Business Planning
- ➔ Supports Priority Setting
- ➔ Enhances Departmental Objectives
- ➔ Compliance with Government Policies
- ➔ External Reporting Requirements
- ➔ Allows Senior Management Review

The Theory

- ➔ Identify Risks
- ➔ Understand & Assess Risks
- ➔ Assign Accountability
- ➔ Develop Mitigation Strategies
- ➔ Integrate into Business Planning
- ➔ Implement Mitigation Strategies
- ➔ Monitor, and Assess
- ➔ Report and Communicate
- ➔ Learn and Adjust



Certain of the risks have been carried forward from the 2009 CRP and regrouped. The CRP represents a roll-up of almost 20 sector profiles which were developed and validated with regional participation. These profiles are listed in the 2009 CRP. A crosswalk is provided in Annex E that shows the links between the 2009 CRP and this 2011 CRP. The 2009 version is a reaffirmation of the 2008 CRP. Thus the 2008 and 2009 versions are the same.

The development of the CRP is in fact a cyclical process as the diagram above illustrates.

2.3 Consultation with Internal Audit Directorate (IAD)

The Chief Audit Executive was able to participate in joint day-long workshop on June 16, 2010 attended by members of both the Departmental Audit Committee (DAC) and the Departmental Management Committee (DMC).

2.4 Lessons Learned from Risk Management under the Economic Action Plan

The Economic Action Plan (EAP) program offered an opportunity to meaningfully practice risk management on a significant but well-scoped scale in terms of purpose and duration.

Important features of the risk management approach for EAP include these practices:

- The context and objectives are defined (focus on the EAP).
- Senior management identifies and assesses the risks.
- Senior management determines the risk management (RM) approach, sets strategic direction and provides follow-up oversight (overall governance) throughout the management planning cycle.
- RM processes are clearly identified and integrated into established practices of planning, performance management and decision-making. If not, they are corrected.
- Due diligence can be demonstrated and verified, and if not, corrected.
- A Risk Management Framework (RMF) was developed and it is compatible with RM policies and guidelines of DFO and TBS.
- Accountabilities are clear. Each risk has the Office(s) of Primary Interest (OPIs) identified. Each OPI is represented on the BIC and is accountable for mitigating its relevant aspects of the risks in the RMF.
- Coordination across the department is conducted via the top management committee (Budget Implementation Committee or BIC).
- Risk appetite is defined: what mitigation is to be done given policies, resources, objectives, processes, information, knowledge and experience. It is expected to be communicated at both staff and management levels.
- Consultations take place among DFO, TBS and Finance sectors.
- Opportunities are pursued.
- An Audit Readiness Assessment of DFO's Economic Action Plan was conducted by the Internal Audit Directorate (IAD) in February 2010, with follow-up management action plans by OPIs to respond to its findings in a timely fashion.
- Attention is paid to the regional perspective of risk management.
- Regular reporting is done to Senior Management on the status of controls on mitigation using a mitigation tracking grid with a 3-category rating system. (See Annex C)

- There is emphasis on the need for accessible, verifiable evidence, that is, valid, timely and approved information and records to substantiate due care and diligence for mitigation. (The lack of documentation was a persistent and significant problem, as noted by the IAD in its Audit Readiness Assessment Report.)

These are highly desirable practices most of which have been transferred to the approach taken to manage the risks of the CRP. The Internal Audit Directorate was very proactive and made significant contributions to developing EAP risk management practices.

2.5 Environmental Scan 2010

DFO has also developed an Environmental Scan again this year for use by DMC in setting priorities. Its purpose is to:

- Identify areas where changes are emerging in the external environment that may affect our business
- Align the Environmental Scan with DFO Risks and Strategic Outcomes:
 - Economically Prosperous Maritime Sectors and Fisheries (EPMSF)
 - Sustainable Aquatic Ecosystems (SAE)
 - Safe and Secure Waters (SSW)
- Informs potential alignment of DFO activities

In developing the E-scan, the following approach was taken:

- Adoption of lessons learned from the 2009 scan exercise.
- Identification of external factors and development of supporting analysis through:
 - literature searches (past departmental E-scans, PRI Meta Scan, reports, and studies); and
 - consultation and collaboration with DFO knowledge experts, and with others outside DFO (e.g. federal Departments and Agencies).
- Development of an advanced draft, used to obtain feedback from DFO's Environmental Scan Working Group (ESWG), the DFO Risk Community, the Policy Integration Committee, and the Integrated Planning Committee.
- Synthesis of feedback and finalization of the Scan.

The scan provides a major overview of the external context in which DFO operates and presents drivers and implications for DFO strategic outcomes by themes: economy, environment, society, provincial and territorial perspectives, technology and the North.

This is a valuable source of detail for the DGs to use in assessing and prioritizing just what risk they will respond to and track.

3.0 What's New in 2011 CRP

There is a number of changes and adjustments in this 2011 CRP compared to the previous version (approved originally in 2008 and reaffirmed in 2009) in how DFO identifies and treats its key risks. These changes will resolve some of the issues raised in MAF VII, such as more systematic integration and follow-through, better training and communications, and better process for updating the CRP. These changes include:

- Better coverage of external risks
- Modified governance: there are no longer champions for each key risk; DGs of PAA-defined programs are to be the main OPIs for identifying risks, implementing mitigation and reporting on mitigation on the control status of mitigation (See Annex B)
- Identification of intermediate outcomes at risk (See Section 5.0)
- Introduction of a formal process for monitoring and reporting mitigation progress (See Annex C)
- Next steps to follow-through on the CRP once approved by DMC (See Section 6.0).

These changes are explained in the following sections.

3.1 (New) Better Coverage of External Risks

DFO has expanded the scope of the CRP to better cover external threats. This allows a better appreciation of risk exposure in its external environment. In addition to the inherent logic of this requirement, this expansion was prompted by two sources in particular:

In its MAF VI Assessment, TBS observed:

“Additionally, the organization could work towards more comprehensive CRPs, which would be informed by all departmental programs, regions, branches, and sectors as much as is possible. This may help in developing more explicit alignment between key risks and strategic outcomes and/or program activities / sub-activities.”

The Office of the Comptroller General recommended in its *Horizontal Internal Audit of Corporate Risk Profiles in Large Departments and Agencies*, November 2009, that:

“Large Departments and Agencies (LDAs) [including DFO] should ensure that the process used to identify risks integrates branch risks and overall organizational risks and that it identifies external risks. This process should be formalized in their risk-scanning tools, such as environmental scans.”

Consequently, the risks in the CRP are divided into two groupings:

- Internal risks, arising from a situational analysis of the internal context and environment
- External risks, arising from a situational analysis of the external context and environment.

3.2 (New) Modified Governance and Organizational Arrangements

DMC has altered the governance of the CRP risks by putting accountability for developing, managing, coordinating and assessing the mitigation strategies for material risks directly in the hands of the managers of the “programs” as defined in the new Program Activity Architecture (PAA) to take effect in 2011-12. These would usually mean DG level management personnel. (See Annex B.) As well, the approach to using champions selected from DMC members for each CRP risk is set aside. This was considered too complex given DFO’s matrix management structure and created the potential for overlap and duplication. Moreover, accountabilities for actual mitigation were not always clear or communicated. As a consequence, no formal reporting on the status of the CRP risks took place. DFO has been regarded as doing a good job at Risk Management but recent reviews by TBS and OCG suggest that DFO must do better job at among

other things providing better evidence of monitoring, reporting and reviewing risk mitigation measures for the corporate risks that have been identified.

DMC will continue to be the Departmental Risk Management Committee but only the CFO and one other DMC member chosen on a rotating basis (starting with ADM Strategic Policy) will be overall risk management advocates. The role of these advocates is to jointly provide leadership and oversight for all phases of integrated risk management processes and procedures throughout the Annual Cycle Process. They are to bring a strategic, holistic, department-wide perspective that includes attention to overarching strategies, policies, guidelines, processes and governance. They actively monitor and evaluate progress, as reported by PAA program managers (called in this context Offices of Primary Interest or OPIs), as well as foster cooperation and collaboration across sectors, the agency and regions.

These changes to the organizational arrangements are intended to bring more direct focus by program managers to the management of risk in an integrated way across the sectors and regions. The PAA becomes the overarching structure for identifying and managing programs. See Annex B for a list of the programs as per the PAA. This is consistent with the approach used for performance measurement and business and operational planning. The PAA program is the basic organizational unit. The DG is the focal point for operationalizing risk management horizontally and vertically.

The expectation is that the OPIs will see to it that risk management is integrated into and harmonized within the business planning cycle. The business planning cycle is understood to include clarifying objectives, setting priorities, targeting intended results, resourcing, implementing programs, conducting performance measurement and evaluating as well as reporting on progress. It is assumed that meaningful business plans will be developed and implemented at the strategic, program and operational levels. As well, tracking mitigation and reporting mitigation progress to DMC should be part of DFO's established evaluation processes in the business planning cycle. Accountability for integrated risk management is also to be embedded into individual accountability accords for OPIs and others.

The principle responsibilities of each OPI for IRM include, in the context of his/her individual programs:

- For material program-specific risks and relevant CRP risks, clarification of:
 - what elements or sub-risks can be reasonably addressed (i.e., the focus of the mitigation) (risk appetite)
 - affected outcomes and/or service levels
 - the mitigation responses (controls) for dealing with the mitigation of the relevant risk elements (risk tolerance)
- For intermediate outcomes at risk, clarification of:
 - what relevant elements can be reasonably addressed
 - the responses and areas of focus for improving the intermediate outcome results
- Overseeing the development, resourcing, implementation, monitoring, assessing and progress reporting of mitigation response (control) action plans
- Proactive leadership, consultations, communications and coordination
- Ensuring appropriate representation on the IRM Coordinators Network.

Briefings and reports for the Minister, DMC and DAC will also be more systematic and frequent.

3.3 (New) Intermediate Outcomes at Risk

In order to achieve DFO's strategic outcomes there are many intermediate outcomes that must be reached. They usually occur earlier and subject to more influence by the programs. Success with them is often necessary to attain main overall objectives. Significant intermediate outcomes identified during the workshop are presented in Section 5.0. Special effort by OPIs will be required, where applicable, to methodically address these outcomes along with the key risks.

3.4 (New) Formal Process for Tracking Mitigation Progress

Mitigation will be monitored using the Mitigation Response Status Tracking Grid. It is designed to be a control and reporting tool for Program OPIs to report to DMC on a regular basis about the status of the controls for the key corporate risks and their sub-risks in the Corporate Risk Profile (CRP). The tracking process is based on the approach used by the Budget Implementation Committee (BIC) for monitoring the control status of risks

to the Economic Action Plan (EAP). Explanations and the template for the Tracking Grid are in Annex C.

The development of the tracking grids allows a shift from detailing mitigation in the CRP to having the detail directly in the control documents generated and used by the OPIs, DMC and DAC.

A mitigation response would necessarily include identification of aspects such as accountabilities, objectives, action/implementation/plans, communications measures, time-frames, resources deployed and governance as well as the actual indicators needed for measuring, monitoring and evaluating progress. The expectation is also that material mitigation responses will be integrated into business planning at the operational levels.

Briefings and reports for the Minister, DMC and DAC will be more systematic and frequent.

3.5 (New) Next Steps

To ensure follow-through on the actual implementation of mitigation responses for the key risks and program specific risks, next steps are presented in the CRP in **Section 6.0**. They represent what DMC expectations are on just what action OPIs must take to deal with material risks of DFO. The next steps include important communications, business plan integration, monitoring and reporting controls.

4.0 The Key Corporate Risks

As mentioned in the introduction, this 2011 CRP updates the 2009 version (a reaffirmation of the 2008 version) and is based also on the results of a joint day-long workshop on June 16, 2010 attended by members of both the Departmental Audit Committee (DAC) and the Departmental Management Committee (DMC). For highlights on this workshop, see Appendix A.

The key risks are derived from an analysis of :

- The 2009 CRP which rolls up almost 20 sector risk profiles developed according to DFO methodology that follows the DFO Handbook on IRM Workshops

- Interviews with senior program managers about the internal and external contexts in which DFO operates
- A review of the priorities identified in the 2010-11 RPP.

Table 1 presents the key corporate risks identified and assessed at the workshop. The risks are bundled into three groups or categories and are separated between internal and external risks:

- **Internal** (aspects, trends, events and circumstances from the internal context or environment in which DFO operates)
 - Category 1
 - Internal Capacity
 - Human Capital, Information for Decision-making, Physical Infrastructure, Strategic Alignment, Financial Capacity and Communications Capacity
- **External** (aspects, trends, events and circumstances from the external context or environment in which DFO operates)
 - Category 2
 - Legal
 - Category 3
 - External Risks
 - Third party Reliance, Climate Change, Economic/Market Pressures, Overcapacity/Over-fishing, Higher Input Costs and as well Hazard-type and Crisis-type Risks

These form the basis for the 2011 Corporate Risk Profile (CRP) and have been assessed by DMC on June 16, 2010.

TABLE 1: The Corporate Risks for 2011 - INTERNAL

Internal (aspects, trends, events and circumstances from the internal context or environment)
Category 1 – Internal Capacity: There is inadequate capacity across all sectors with respect to: Human Capital, Information for Decision-making, Physical Infrastructure, Strategic Alignment, Financial Capacity and Communications Capacity.

1. Risk: Human Capital Proposed Definition: There is a risk that DFO will be unable to sustain a sufficient and representative workforce with the appropriate competencies to adequately support, deliver and manage programs and services.		
Key sub-risks or elements	Sources of the risk/Issues	Possible consequences
1. DFO will be unable to replace key personnel who will retire or leave the department.	<ul style="list-style-type: none"> • Staffing policies and practices • Language policies and practices • Unavailability of appropriately skilled candidates, including candidates responsible for key related HR functions (staffing, classification) 	<ul style="list-style-type: none"> • Loss of corporate memory and continuity on key files • Compromised program delivery resulting in loss of public confidence in DFO with potential political consequences
2. Increasing demands from stakeholders will exceed the capacity of DFO personnel.	<ul style="list-style-type: none"> • Central Agency increasing reporting requirements • Rising expectations of external stakeholders in program delivery 	<ul style="list-style-type: none"> • Staff burnout and high turnover, low morale, early retirement of key personnel • Negative affect on DFO's reputation further exacerbating its inability to recruit and retain
3. DFO personnel will not have appropriate learning and development opportunities.	<ul style="list-style-type: none"> • Constrained resources • Poorly integrated HR planning 	<ul style="list-style-type: none"> • Increased potential for errors and omissions • Improperly trained managers with staff responsibility reflecting poorly on DFO as an employer and further exacerbating its ability to recruit and retain

<p align="center">2. Risk: Information for Decision-making</p> <p>Proposed Definition: There is a risk that sufficient and appropriate information will not be available on a timely basis to support decision-making.</p>		
Key sub-risks or elements	Sources of the risk/Issues	Possible consequences
1. Key data and information may be permanently lost.	<ul style="list-style-type: none"> • Lack of formalized historical record keeping • Increased loss of corporate memory with staff departures • Complexity and volume of data collected • Regional differences in approaches to data collection and management 	<ul style="list-style-type: none"> • Incorrect or inappropriate decisions negatively impacting program delivery, resource allocation/reallocation, relationships with key stakeholders • Public perception of DFO making the wrong decisions
2. Significant delays in gathering reliable data and information necessary for decision-making will result.	<ul style="list-style-type: none"> • Lack of formalized historical record keeping • Increased loss of corporate memory with staff departures • Complexity and volume of data collected • Regional differences in approaches to data collection and management 	<ul style="list-style-type: none"> • Inability to make timely decisions compromising DFO's ability to respond to emerging issues or to take advantage of emerging opportunities
3. Reliance on third party for data collection will increase.	<ul style="list-style-type: none"> • DFO's funding and workload pressures have resulted in higher reliance on third parties for data collection. 	<ul style="list-style-type: none"> • DFO's control over data collection and quality assurance significantly diminishing
4. Information coming from different sources may be unreliable and impossible to validate.	<ul style="list-style-type: none"> • Complexity and volume of data collected • Regional differences in approaches to data collection and management 	<ul style="list-style-type: none"> • Incorrect or inappropriate decisions negatively impacting program delivery, resource allocation/reallocation, relationships with key stakeholders • Inability to make timely decisions compromising DFO's ability to respond to emerging issues or to take

		advantage of emerging opportunities <ul style="list-style-type: none"> Public perception of DFO making the wrong decisions
5. Critical information management/information delivery systems may fail.	<ul style="list-style-type: none"> Resource constraints prevent DFO from making the necessary investment in information management infrastructure 	<ul style="list-style-type: none"> The availability of information for decision-making being further compromised

3. Risk: Physical Infrastructure

Proposed Definition:

There is a risk that DFO will be unable to invest in or maintain the infrastructure necessary to achieve its objectives. This includes particularly port infrastructure, real property, IT infrastructure, fleet, aids to navigation and shore-based assets.

Key sub-risks or elements	Sources of the risk/Issues	Possible consequences
1. Longer service periods for DFO's physical assets will be necessary.	<ul style="list-style-type: none"> Limited information on the condition of many of the assets, particularly those in remote sites 	<ul style="list-style-type: none"> Deteriorating infrastructure that compromises employee and stakeholder health and safety Higher maintenance costs Unexpected and larger than anticipated capital investments needed to restore aging, dysfunctional or unsafe infrastructure
2. Insufficient funds will be available to invest in the necessary maintenance and replacement of key infrastructure.	<ul style="list-style-type: none"> There is an estimated \$30 million shortfall in maintenance funding for real property and an estimated \$800 million shortfall in capital funding. 	<ul style="list-style-type: none"> Longer service periods necessary, resulting in deteriorating, unsafe physical infrastructure
3. Lack of appropriate and timely information on the true state of DFO's physical infrastructure will compromise DFO's		<ul style="list-style-type: none"> Program delivery compromised Relationships with third parties and stakeholders strained, reflecting poorly

ability to plan and prioritize maintenance, replacement, and divestiture activities.		on DFO and its planning and investment decisions
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4. Risk: Strategic Alignment

Proposed Definition:

There is a risk that DFO's resources, activities, plans and strategies will not be sufficiently harmonized with the priorities and expectations of the Government of Canada and other external stakeholders.

Key sub-risks or elements	Sources of the risk/Issues	Possible consequences
1. DFO must cover revenue shortfalls through internal reallocation of resources.	<ul style="list-style-type: none"> DFO continues to face a significant revenue shortfall (\$M18-23). 	<ul style="list-style-type: none"> DFO has prepared a Memorandum to Cabinet seeking funding from the fiscal framework, and is seeking approval for the MC to be presented to Cabinet
2. There are gaps in DFO's knowledge of the efficiency, effectiveness, relevance and overall performance of its programs.	<ul style="list-style-type: none"> Lack of a rigorous performance measurement framework 	<ul style="list-style-type: none"> DFO will need to augment its commitment to the Program Evaluation and Performance Measurement functions
3. DFO's planning and reporting is not fully integrated.	<ul style="list-style-type: none"> DFO's commitment to integrated planning and reporting confirmed only in July 2009 Limited horizontal alignment or integration between sectors and strategies 	<ul style="list-style-type: none"> DMC has approved the Integrated Planning and Reporting Framework, with full implementation by 2012 Corporate Planning, Governance and Risk directorate within the CFO established in April 2009
4. Inconsistencies between regional and headquarters perceptions of priorities of the GoC and other external stakeholders.	<ul style="list-style-type: none"> Gaps in the availability of national guidance (e.g. policies, procedures and tools) Some gaps in clarity of national roles responsibilities The Department's geographically 	<ul style="list-style-type: none"> Establishment of a DMC Sub-committee on Citizen Focused Service in September, 2009

	dispersed business model and the matrix reporting relationships	
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5. Risk: Financial Capacity

Proposed Definition:

There is a risk that sufficient resources will not be available to support program delivery and maintain service levels for both internal and external client groups.

Key sub-risks or elements	Sources of the risk/Issues	Possible consequences
<ul style="list-style-type: none"> Increasingly less real resources are available from one year to the next because of budget cuts and inflation. Insignificant cost recovery exists under regulatory programs. 	<p>New pressures have arisen over time such as emerging issues (e.g., environmental changes, globalization, eco-labelling, serious declines in fisheries, major oil spill response, Arctic sovereignty, or regulatory streamlining); broadened objectives; expanding jurisdiction; heightened accountabilities and stakeholder expectations; joint, shared, participatory governance with stakeholders; increased resource conflicts; new complexities.</p>	<ul style="list-style-type: none"> Effectiveness and efficiencies affected Emerging issues left inadequately addressed Growing mandated regulatory responsibilities not met

6. Risk: Communications Capacity

Proposed Definition:

There is a risk that stakeholder awareness, understanding and acceptance of DFO mandate, programs, regulations, decisions, roles and responsibilities, and value added will be affected by gaps in communications and consultations.

Key sub-risks or elements	Sources of the risk/Issues	Possible consequences
<p>Inadequacies in:</p> <ul style="list-style-type: none"> Resources devoted to employee awareness and training Responses to feedback from 	<ul style="list-style-type: none"> Fragmented approach to communications; lack of overall plans and follow-through Limited actual 	<ul style="list-style-type: none"> This is a major issue in maintaining public trust and confidence. Lack of clarity about the expectations of

<p>targeted groups on relevance, usefulness and cost-effectiveness of regulatory regime</p> <ul style="list-style-type: none"> • Written policies, protocols, guidelines and frameworks and how well they are communicated to stakeholders and then understood and applied or complied with. • Reinforcement in: <ul style="list-style-type: none"> • Training • Management communications, various media and fora • Written and audio-visual material • Website presence • Workshops and learning events • Stakeholder interaction and consultations • Interdepartmental and other external exchanges. 	<p>practice of performance measurement.</p> <ul style="list-style-type: none"> • Cutbacks to core programs. 	<p>various stakeholders under the regulatory program regimes persists.</p>
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TABLE 1 Continued: The Corporate Risks for 2011 - EXTERNAL

External (aspects, trends, events and circumstances from the external context or environment'')
Category 2 – Legal Risks

7. Risk: Legal

Proposed Definition:

There is a risk that DFO will make decisions or take actions which will be successfully challenged before the courts, and result in either significant financial liability, or negative effects on DFO's legislative or regulatory authorities. In addition, there is a risk that groups seeking to have DFO's

regulatory mandate complied with, enforced or extended will bring litigation against DFO.		
Key sub-risks or elements	Sources of the risk	Possible consequences
1. In some cases, decisions are made or actions are taken without statutory authority (“ultra vires”), resulting in either significant financial liability, or negative effects on DFO’s legislative or regulatory authorities (e.g. Matthews, potentially Cassiar Watch)	<ul style="list-style-type: none"> • Pressure from stakeholders • Inability to amend legislation to provide statutory authority for programs which DFO and stakeholders agree upon 	<ul style="list-style-type: none"> • Continuing increase in litigation and litigation costs for DFO • Court decisions which result in DFO being unable to implement its preferred policies, programs and operations; • Court decisions which require DFO to develop or modify policies and programs
2. There is a risk that Aboriginal, environmental and other groups will seek to have DFO’s regulatory mandate complied with, enforced or extended (e.g. Broughton archipelago litigation (e.g. Chamberlin), Morton, private prosecutions, “protest” fisheries, Killer Whale litigation).	<ul style="list-style-type: none"> • Policy decisions, lack of resources or lack of political support for ensuring compliance with or enforcing regulatory legislation 	<ul style="list-style-type: none"> • Continuing increase in litigation and litigation costs for DFO • Increase in the costs of implementing such decisions (e.g. B.C. aquaculture regulation) • Court decisions which result in DFO being unable to implement its preferred policies, programs and operations; • Court decisions which require DFO to develop or modify its policies and programs
3. There is an increasingly complex legal regime, with need to harmonize with and comply with other regulatory regimes	<ul style="list-style-type: none"> • The number and complexity of DFO’s mandate and regulatory statutes and regulations, as well as those of other jurisdictions, make it challenging for departmental officials 	<ul style="list-style-type: none"> • Increase in litigation and litigation costs for DFO • Increase in the costs of implementing court decisions • Court decisions which result in DFO being unable to implement its preferred policies, programs and

	<p>to comply.</p> <ul style="list-style-type: none"> • How to coordinate with OGD regulations such as Health and Environment, CFIA, DFAIT (re: fish health, safe food supply, and trade)? 	<p>operations;</p> <ul style="list-style-type: none"> • Court decisions which require DFO to develop or modify its policies and programs
<p>4. There is an increasingly litigious environment in North America, Canada, and specifically among DFO stakeholders e.g. East Coast crabber litigation; West Coast aquaculture litigation; class actions.</p>	<ul style="list-style-type: none"> • High stakeholder expectations • Declining resources, due to environmental change or development pressures 	<ul style="list-style-type: none"> • Increase in litigation and litigation costs for DFO • Increase in the costs of implementing such decisions • Court decisions which result in DFO being unable to implement its preferred policies, programs and operations; • Court decisions which require DFO to develop or modify its policies and programs
<p>5. Increasing cost of litigation to departments – judgments/settlements are no longer paid out of the Consolidated Revenue Fund as a matter of course (although departments can still make TB submissions to have them funded); DOJ/Public Prosecution Service of Canada are now required to cost recover from departments for the costs of litigation; sectors/regions are now required to pay for the costs</p>	<ul style="list-style-type: none"> • Court rules facilitating class actions • Electronic communication, greatly increasing the volume of documents to be produced, and consequently the cost of document production in litigation • International trade agreements • Changes in TB policies with regard to funding of judgments/settlements; funding of DOJ and PPSC 	<ul style="list-style-type: none"> • Increase in litigation/prosecution costs for DFO • Litigation/prosecution costs will reduce DFO's capacity to implement its policies/programs/operations

litigation/prosecutions out of their own budgets (simply trying to distinguish it from judgment or settlements)		
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External (aspects, trends, events and circumstances from the external context or environment)
Category 3 – Other External Risks

8. Risk: Third Party Reliance		
Proposed Definition: There is a risk that third parties, on which DFO relies to deliver many of its programs and services, will not be able to produce the necessary results.		
Key sub-risks or elements	Sources of the risk	Possible consequences
1. There is the inability to put in place multi-year agreements with some key third parties.	DFO relies heavily on a broad range of suppliers, contractors, and third parties to support the delivery of its programs	<ul style="list-style-type: none"> DFO's ability to deliver on some key programs and services will be compromised and will reflect poorly on DFO
2. PWGSC, a key third party with DFO, will experience continued constrained capacity.	<ul style="list-style-type: none"> Shortage of procurement officers Reporting requirements and fast pace associated 	<ul style="list-style-type: none"> Delays in contracting will adversely affect DFO's program and service delivery Funds may lapse from year to year
3. Changes in agreements and relationships with third parties, and changes in expectations of third parties may move DFO in directions that are inconsistent with its strategic priorities.	DFO does not have a complete and comprehensive picture of its varied and numerous third parties.	<ul style="list-style-type: none"> Ineffectiveness and inefficiencies Misallocation of funds Overlap and duplication

9. Risk: Climate Change Proposed Definition: There is a risk that DFO will be unable to adapt quickly to the effects of climate change.		
Key sub-risks or elements	Sources of the risk	Possible consequences
1: There is a risk that climate change will affect DFO's ability to meet its objectives related to oceans management, and the sustainable development and integrated management of resources in Canada's aquatic environment.	<ul style="list-style-type: none"> Ecosystem and fisheries degradation and damage from accelerated rate of change and increased unpredictability of change could accelerate timing and magnitude of conflicts in managing Canada's marine environments. 	<ul style="list-style-type: none"> For DFO, there are three areas of consideration for risk mitigation: <ul style="list-style-type: none"> Policy response Science response Program response. Policy Response <ul style="list-style-type: none"> DFO is developing a Policy Framework on Climate Change that will: <ul style="list-style-type: none"> Ensure consistent and coherent departmental approach to climate change; Provide policy foundation for decision-making <ul style="list-style-type: none"> development of departmental adaptation tools and guidelines identifying priority areas for action (e.g., re-engineering of fisheries management plans); Increase DFO visibility and prominence on climate change vis-à-vis government-wide initiatives; and Position DFO within federal climate change policy, program development and investments.
2: There is a risk that climate change will affect DFO's ability to manage and protect the abundance, distribution, and quality of harvested fisheries and aquaculture stocks.	<ul style="list-style-type: none"> Changes in biological resources; however, net effect on aquatic resources not fully known. Overall biomass may not decrease, but some areas may suffer negative impacts, while others may benefit. 	
3. There is a risk that climate change will affect DFO's ability to protect species diversity and species at risk	Species reorganization and displacement: <ul style="list-style-type: none"> Increased complexity of DFO's decision-making on species at risk and species diversity. Changes in location and type of species in Canadian aquatic habitats. Some species may disappear and others may replace. Habitat changes could affect species reproduction, food supply, the predator/prey balance, 	

	and incidence of disease and parasites. Introduction of invasive species is a particular concern,	<p>Science Response</p> <ul style="list-style-type: none"> DFO science continues to contribute to important climate change science that is being used by the Department, other federal departments, other Canadian jurisdictions, and by international organizations (e.g. Intergovernmental Panel on Climate Change). <p>Program Response</p> <p>Ensuring that climate change considerations are incorporated into business planning and everyday DFO program management.</p>
4: There is a risk that climate change will affect DFO's ability to provide acceptable levels of environmental response and search and rescue activities.	<p>Increased demand to provide emergency response due to:</p> <ul style="list-style-type: none"> Increased severity and frequency of severe weather events, storm surges, and coastline changes due to sea level rise; Increased dangerous multi-year ice in Arctic shipping lanes from earlier ice break-up and later freeze-up; Increased human activity and vessel traffic with out-of-date navigational charts in Arctic; and CCG platform support requirements for security and sovereignty enforcement. 	
5: There is a risk that climate change will result in damage and the need for alterations to DFO vessels, coastal and Small Craft Harbour infrastructure.	Infrastructure damage from increased incidence of storm surges, extreme weather events, sea level rise, fluctuating water levels, changing ice dynamics and permafrost degradation.	
6: There is a risk that climate change will affect DFO's ability to provide safe access to waterways.	<p>Changes in access and navigability of waterways from:</p> <ul style="list-style-type: none"> Sedimentation, changes in water circulation and lower water levels in the Great Lakes; Increased sedimentation from intensified storms in coastal areas; 	

	<ul style="list-style-type: none"> • Storm surges and waves linked with high tides increasing debris damage to small crafts; and • Multi-year ice in Arctic shipping routes and more transient ice in more southern waters. 	
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10. Risk: Economic and Market Pressures

Proposed Definition:

There is a risk that DFO will be unable to facilitate access to international markets for Canadian commercial fisheries and that Canadian commercial fishers will be unable to remain globally competitive.

Key sub-risks or elements	Sources of the risk	Possible consequences
<ol style="list-style-type: none"> 1. Economic risk: the business model developed for the Canadian fish and seafood sector is unable to respond to the economic and market pressures placed on it and does not maximize economic output from wild, aquaculture-based and recreational fisheries. 2. Increasing volume of, and user conflicts involving economic activities associated with eco-tourism and recreational fishing, transportation, shipping, etc. 3. Unstable access and allocations and unresolved aboriginal demands resulting in uncertainty in the 	<ul style="list-style-type: none"> • General economic/financial downturns and instability, both domestically and with key trading partners such as the United States • Aquaculture sector impeded by environmental concerns • Recreational fishing sector not effective in attracting new anglers. • Difficulty in assisting with capacity issues of First Nations to 'convert' resource access into economic prosperity • Climate change impacts and adaptation measures/strategies • Habitat management - considerations that would limit the expansion of economic activities in oceans 	<ul style="list-style-type: none"> • Negative impact on jobs and employment opportunities, particularly in coastal communities • Diminishing contribution of Canada's oceans sectors to the country's gross domestic product • Increasing litigation costs as a result of s.35 rights uncertainty. • Uncertainty around Aboriginal participation discourages fisheries sector investment • Public criticism from provincial counterparts, industry stakeholders, fishery/resource-dependent communities and the general public • Negative consequences on the viability of

<p>fisheries.</p> <p>4. Feasibility risks that prevent expansion of renewable energy industry activities in oceans.</p> <p>5. Global demand for seafood products will increase.</p>		<p>affected maritime sectors</p> <ul style="list-style-type: none"> • Unrealized potential of fishery and its contribution to GDP.
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11. Risk: Overcapacity and Overfishing

Proposed Definition:

There is a risk that DFO will be unable to manage and protect fisheries resources and foster viability because of commercial fishing fleet overcapacity. Overcapacity can lead to overfishing which presents a risk to DFO's ability to foster globally competitive fisheries and the preservation and sustainable use of fisheries resources.

Key sub-risks or elements	Sources of the risk	Possible consequences
<p>Situations may vary across fisheries, fleets and/or regions with threats related to matters such as:</p> <ul style="list-style-type: none"> • Too many licences • Too many vessels • Too much fishing effort • Limited catch information • Limited information on the state of the fish stocks • Enforcement capacity • Shared jurisdictions. 	<p>Internal:</p> <p>Requests for financial support from DFO (e.g. lobster) can be viewed as subsidies therefore affecting trade.</p> <p>-Excess licence capacity due to social management of the fishery.</p> <p>- Licence fees</p> <p>-Inability for DFO to offer all policy flexibilities requested due to lack of industry support which limits harvesters from adjusting to market, resource and economic pressures.</p> <p>-Lack of transparency, coherence and consistency in Departmental policies is making it difficult to efficiently tell our sustainability story which impacts market access by not fully meeting emerging</p>	<p>Risk to economic prosperity of fishing enterprises.</p> <p>-Decreased market access due to unsustainable fishing practices and perceived trade subsidies.</p> <p>-Reliance on public investment to offset poor economic performance.</p> <p>-Decreased fleet capacity to harvest available resources.</p> <p>-Labour shortages in the processing sector could affect initial purchase prices.</p> <p>-Lost markets for seafood products</p>

	<p>demands for sustainable seafood.</p> <p>-Instability in access and allocation of seafood resource stocks which is affecting the Department's operations, and the ability of harvesters to make proper business-minded decisions about their operations.</p> <p>External</p> <p>-Lobbying movement for increased catches or reduced limits on fishing</p> <p>-Processing sector – desire to increase product supply could create pressure to increase quotas.</p> <p>-Financial support including Employment Insurance and Income Tax could be viewed as subsidies.</p> <p>-Overcapacity increases the potential for non-compliance with the IFMP.</p> <p>-Challenges in accessing capital</p> <p>-Demographic challenges in the labour market</p> <p>-U.S. fiscal/monetary policy</p> <p>-Increased requirements for certification (eco certification, certification of IUU fishing) and food safety</p>	
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12. Risk: Higher Input Costs

Proposed Definition:

There is the risk that higher input costs (e.g. fuel, value of the dollar, labour etc.) are creating challenges for the industry in maintaining economically prosperous fishing and processing enterprises.

Key sub-risks or elements	Sources of the risk	Possible consequences
Contextual factors affect DFO program delivery as well as harvest and processing sectors.	<ul style="list-style-type: none"> Increased labour, fuel and other commodity costs Appreciation of Canadian Dollar Volatile and high price for 	<p>Rising operating costs and falling profit margins</p> <p>Reduce productivity</p> <p>Resource dependent communities struggle</p>

	oil and steel	Pressures on DFO operational budgets
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13. Risk: Hazard-type or Crisis-type Risks Proposed Definition: There is a risk that DFO will be ill-prepared to respond effectively to major hazards and crises (e.g., The oil spill response regime is 20 years old.) (This includes matters such as contingency planning.)		
Key sub-risks or elements	Sources of the risk	Possible consequences
Inadequacies or gaps in: <ul style="list-style-type: none"> • Internal and external contextual and situational reviews • Communications and training • Consultations with stakeholders • Research • Training 	<ul style="list-style-type: none"> • Evolving internal and external contexts • Lack of update of explicit identification of major potential hazards and crises • Outdated processes and procedures • Need to update training • Need to improve communications and consultations among internal and external stakeholder groups. 	All strategic outcomes could be affected.

5.0 Intermediate Outcomes at Risk

In order to achieve DFOs strategic end outcomes there are many intermediate outcomes that must be reached. They are usually earlier and subject to more influence by the programs. Success with them is often necessary, if not sufficient, to attain main overall program objectives. Significant ones identified during the June 16, 2010 DMC/DAC workshop are outlined in Table 2. Special effort will be required to methodically address them.

TABLE 2 – Intermediate Outcomes at Risk

Affected Intermediate Outcome	Issues
Public Confidence and DFO Reputation	<ul style="list-style-type: none"> • Perceived shortcomings with this intermediate outcome are a major concern. It is overarching and is believed to affect program effectiveness for end outcomes department-wide. • The role of the Science Sector in this context for maintaining credibility is critical. • It is necessary to identify specific threats; develop/update mitigation responses; and identify accountabilities (proposed: by program DGs) • This is everyone's business. All programs are affected. • Not knowing how external business environment is changing and how clients demands are changing are risks to maintaining reputation and public confidence.
DFO Risk Culture (Risk-smart Work-force)	<ul style="list-style-type: none"> • It is necessary but not sufficient to have processes, governance and organizational arrangements to support IRM. DFO has to get beyond process and foster a risk-smart workforce. • Ways must be found to tie in ground level staff & help them set up good risk management practices and structures; staff may see what top management does not. • Managers and staff must be equipped with learning opportunities to foster awareness and understanding of IRM and explain what is expected of management and staff. • There should be rewards and consequences tied to the quality of IRM practice.
IRM effectiveness and relevance	<ul style="list-style-type: none"> • Connect CRP to core business; drill down into the department. See Annex C and Section 3.2. • Do the ES and CRP really inform performance, business planning and priorities? Are they meaningful, relevant, and useful, and are they used? • There should be consequences. Those doing IRM should be rewarded. • Develop evidence guidelines. • We need to be practical on the ground, concrete, operational, in real time; concrete; what we can apply at the ground level. • Also think of the innovation side of the risk coin; we are heavy on threats and light on opportunity. • DFO will have to develop mitigation measures. This will be linked to

	<p>program evaluation.</p> <ul style="list-style-type: none"> • Update the Fisheries Act: modernize legislation and have clearer objectives; clear objectives make it easier to conduct IRM. • Need to find balance among: social, economic, environmental and political (very hard to do) objectives. All are interdependent. • There is a need for more on contingencies. • There is a need for better definitions of controls.
Understanding of DFO Risk Tolerance	<ul style="list-style-type: none"> • Definition: Risk appetite is the acceptance of a level of risk, (e.g., open a fishery) and risk tolerance is what will be done within the program to deal with that risk (i.e., the parameters and controls around which a program is implemented, given resources available; reflects mitigation responses). • Explain and communicate risk tolerance explicitly, at organizational and program levels, issue by issue. (E.g., opening a fishery, allowing a development project that affects fish habitat, allowing boat traffic); training and communications are key; need consistency in tolerance standards and communications practices for “risk-taking” decisions. • Get beyond mindless risk ritual to calculated risk (monitor performance, evaluate, reward). • Tolerance guidelines should be included in mitigation strategies; there is complexity in the decision-making and clear direction is needed and proof thereof provided.

6.0 Next Steps for Follow-through on the CRP

Follow-through on the CRP involves a number of major steps in a process that seeks to facilitate control by DMC over addressing the risks with meaningful mitigation responses. It is essential that progress on the mitigation measures be communicated across the organization, tracked and reported to Senior Management. DAC is also an important stakeholder requiring regular updates on the status of mitigation controls.

It is understood that risk identification, analysis, prioritization and then the development, implementation, tracking and reporting on mitigation response are part of an iterative process. Dates below are illustrative and certain steps can start and/or finish at different times, subject of course to making timely reports to DMC.

It is also important to bear in mind that for the selection of both risks and mitigation responses (controls), OPIs must be prepared to demonstrate audit

readiness for methodology, risk appetite and tolerance, communications, accountability, implementation actions, mitigation response tracking, control status and evidence.

Successful mitigation responses also require that the IRM process be integrated into a robust harmonized annual business/operational planning process and cycle for programs and region.

The steps to follow over the next business planning cycle to address, monitor and report to DMC on mitigation responses to the 2011 CRP are in Table 3. Dates below are illustrative and certain steps can start and/or finish at different times, subject of course to making timely progress reports to DMC.

Table 3
Steps to Address 2011 CRP Mitigation Responses

#	Step	Date	Accountability
1.	Present draft of 2011 CRP to DAC for feedback.	September 23, 2010	CFO/RRBM
2.	Brief all Program DGs and other OPIs, including regional OPIs, on CRP, its governance and next steps	October 2010	CFO/RRBM
3.	<ul style="list-style-type: none"> Identify relevant material risk and sub-risk elements (from current program risk profiles and 2011 CRP) that must be addressed to improve or maintain program effectiveness. (Section 4) Review the Environmental Scan 2011 (Refer to section 2.5) Address issues related to the intermediate outcomes at risk. (Section 5) Develop appropriate mitigation responses and responses to intermediate outcomes at risk particular to programs; include any training and communications strategies. 	October-November 2010	Program DGs (OPIs), in collaboration with regional OPIs
4.	Integrate material mitigation responses and responses to intermediate outcomes at risk into business and operational plans, in synchronization with organizational performance targets; include	October-November 2010	Program DGs (OPIs), in collaboration with regional OPIs

	any training and communications strategies		
5.	Integrate IRM responsibilities and milestones into personal accountability accords	January 2011	Program DGs (OPIs), in collaboration with regional OPIs
6.	Implement Business and Operational/Work Plans, including mitigation responses (controls)	2011-12 FY	Program DGs (OPIs), in collaboration with regional OPIs
7.	<ul style="list-style-type: none"> Complete the mid-year mitigation tracking grid for informing Mid-year Review (à la EAP) (covers applicable risks, responses to intermediate outcomes at risk, issues, mitigation responses/controls, evidence and control status) Refer to Annex C. Evaluate and adjust risks and/or mitigation measures, where necessary. 	September 2011	Program DGs (OPIs), in collaboration with regional OPIs
8.	Prepare and present roll-up of mid-year mitigation responses tracking grid, with analysis, to DAC and DMC	October 2011	CFO/RRBM
	Provide feedback and decisions		DMC and DAC
9.	Complete year-end mitigation tracking grid, to inform DPR.	April 2012	Program DGs (OPIs), in collaboration with regional OPIs
10.	Prepare and present roll-up of year-end mitigation responses tracking grid, with analysis, to DAC and DMC.	April 2012	CFO/RRBM

	Provide feedback and decisions		DMC and DAC
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Annex A

DFO INTEGRATED RISK MANAGEMENT JOINT WORKSHOP FOR DMC and DAC MEMBERS Held June 16, 2010

Highlights on Strategic Direction

Introduction

A workshop was held on June 16, 2010 for the members of the Departmental Audit Committee and the Departmental Management Committee. The purpose of the workshop was to establish a basis for updating the CRP, set strategic direction for an Action Plan to address integrated risk management (IRM) priorities and identify next steps and accountabilities for moving forward on integrated risk management at DFO. These are some of the highlights from the workshop on the strategic direction to pursue on integrated risk management at DFO. Discussions led to the identification of priorities for integrated risk management, a set of key corporate risks and a list of intermediate outcomes at risk. A follow-up proposed IRM action plan, developed subsequent to the workshop, was later developed.

Priorities for Moving Forward on IRM

- CRP Update for 2011 with more emphasis on external risks
- Refinement of IRM Governance based on the new PAA: less champions and more accountability at the PAA program level
- Monitoring of mitigation progress by DMC (à la EAP)
- Integration of Business Planning, Performance Measurement, Risk Management, Environmental Scan, and performance accords
- IRM training, learning and communications (e.g., website presence, coordinated outreach, accessible archiving of key documents)
- Action Plan Implementation: MAF VII and OCG Audit
- Continued mitigation tracking by BIC under EAP
- Establishment of the Legal Risk Management Unit

Corporate Risks

- Category 1
 - Internal Capacity (Human Capital, Information for Decision-making, Physical Infrastructure, Strategic Alignment, Financial Capacity, and Communications)
- Category 2
 - Legal and Regulatory Environment
- Category 3
 - External Risks (3rd Party Reliance, Climate Change, Economic/Market Pressures, Overcapacity/Overfishing/Increased Input Costs, and Hazard-type and Crisis-type Risks)

Intermediate Outcomes at Risk

- Public Confidence and DFO Reputation
- DFO Risk Culture
- IRM effectiveness and relevance
- Understanding of DFO Risk Tolerance

ANNEX B

DFO Programs and Sub-activities and OPIs by Strategic Outcome
(as per Program Activity Architecture (PAA) in the Management, Resources and Results Structure (MRRS), approved on May 26, 2010 by DMC and TBS September 28, 2010)

DFO Strategic Outcome: Economically Prosperous Maritime Sectors and Fisheries	
Program Activity	OPI (Lead)
1.1 Integrated Fisheries Resource Management	DG Resource Management
1.2 Fisheries Strategies and Governance	DG Fisheries and Aboriginal Policy
1.3 Aboriginal Strategies and Governance	DG Aboriginal Program and Governance
1.4 Sustainable Aquaculture Program	DG Aquaculture Management and Executive Director Aquaculture Operations
1.5 Aquatic Animal Health	DG Ecosystem Science Directorate
1.6 Biotechnology and Genomics	DG Ecosystem Science Directorate
1.7 International Affairs	DG Internal Affairs Directorate
1.8 Waterways Management	DG Maritime Services
1.9 Aids to Navigation	DG Maritime Services
1.10 Icebreaking Services	DG Maritime Services
1.11 Small Craft Harbours	DG Small Craft Harbours
1.12 Territorial Delineation	DG Oceans Science CHS

DFO Strategic Outcome: Sustainable Aquatic Ecosystems	
Program Activity	OPI (Lead)
2.1 Compliance and Enforcement	DG Conservation and Protection
2.2 Salmonid Enhancement Program	Regional Director Salmonid Enhancement Program
2.3 Habitat Management	DG Ecosystem Management
2.4 aboriginal Inland Habitat	DG Ecosystem Management
2.5 Species at Risk Management	DG Ecosystem Management and Director Species at risk Program
2.6 Environmental Response Services	DG Maritime Services
2.7 Integrated Oceans Management	DG Oceans
2.8 Aquatic Invasive Species	DG Ecosystem Science Directorate

DFO Strategic Outcome: Safe and Secure Waters	
Program Activity	OPI (Lead)
3.1 Search & Rescue Services	DG Maritime Services
3.2 Marine Communication & Traffic Services	DG Maritime Services
3.3 Maritime Security	Deputy Commissioner
3.4 Fleet Operational Readiness	Coast Guard Commissioner
3.5 Shore-based Asset Readiness	DG Integrated Technical Services
3.6 Canadian Coast Guard College	Executive Director Canadian Coast Guard College

3.7 Hydrographic Products and Services	DG Oceans Science CHS
3.8 Ocean Forecasting	DG Oceans Science CHS

Internal Services	
Function	OPI (Lead)
Office of the Chief Financial Officer	<ul style="list-style-type: none"> • DG Budgeting, Planning and Resource Management • DG Corporate Planning, Governance and Risk Management
Human Resources and Corporate Services	<ul style="list-style-type: none"> • Chief Information Officer and Director General • DG Real Property, Safety and Security
Strategic Policy	<ul style="list-style-type: none"> • DG Economic Analysis and Statistics • DG Legislative Intergovernmental Affairs • DG Program Planning and Coordination • DG Science and Policy Integration • DG Strategic Policy and Priorities
Program Policy	<ul style="list-style-type: none"> • DG Aquaculture Management • DG Ecosystem Programs Policy • DG Fisheries and Aboriginal Policy
Executive Secretariat	DG Executive Secretariat
Communications	DG Communications
Office of Chief Audit Executive	Chief Audit Executive

ANNEX C

4.0 Description of CRP Risk Mitigation Status Tracking Grid

The Mitigation Response Status Tracking Grid for the 2011 Corporate Risk Profile (CRP) is designed to be a control tool for the DMC and other stakeholders such as the Departmental Audit Committee (DAC) to monitor the relevance and effectiveness of the mitigation responses for risks in DFO's Program Risk Profiles and CRP. It is based on the tracking grid used by the Budget Implementation Committee (BIC), chaired by the DM, which oversees the implementation of projects under the Economic Action Plan (EAP). Copies of reports under the EAP are available from RRBM.

A mitigation response would necessarily include identification of accountabilities, objectives, action or implementation plans, time-frames, resources deployed and governance, as well as the actual indicators needed for measuring, monitoring and evaluating progress. Response would be commensurate with relevance, materiality and resources available and with the anticipated likelihood and impact of the risk on program objectives.

As much as possible, the response should be part of existing systems, processes, guidelines, procedures, policies and other rules and practices. There should be less focus on transactional items and more on strategic, overarching controls. The Program DGs, the OPIs, should work closely with appropriate colleagues across the department, including regions, to coordinate the mitigation responses to achieve effectiveness, efficiencies and economies, as well as to avoid overlap and duplication. OPIs would operate according to established chains of command.

It is recognized that NOT all risks or elements thereof and sub-risks will apply to all programs. Program DGs have latitude to make that judgment call, but for what is prioritized, tracking of progress will occur.

DMC must, with the resources available, identify, assess, mitigate and manage DFO's exposure to risks. For mitigation responses, this means monitoring and ensuring that:

- there are documented guidelines and processes to handle the material risks; and

- the mitigation actions or controls (with timelines and accountabilities) take place and that they work effectively across the departments where needed (i.e., monitoring and evaluation).

This tracking grid helps to do that by showing just where a risk element applies to a particular program, what is being done about it and what progress is being made.

Each Program DG (the OPI) in collaboration with regional OPIs, will be expected to undertake the following:

Identify relevant material risk and sub-risk elements (from current program risk profiles and CRP) as well as intermediate outcomes at risk that must be addressed to improve or maintain program effectiveness. The selection should be strategic and kept to manageable numbers and scope. This is a judgement call that should be documented.
Scrutinize the Environmental Scan 2011 for possible risks that may affect program objectives.
Develop appropriate risk mitigation responses and responses to intermediate outcomes at risk particular to programs; include any training and communications strategies.
Integrate material mitigation responses and responses to intermediate outcomes at risk into business and operational plans, in synchronization with organizational performance targets; include any training and communications strategies.
Integrate IRM responsibilities, milestones and outcomes into personal accountability accords.
Implement Business and Operational/Work Plans, including mitigation responses (controls).
Complete the mid-year mitigation responses tracking grid for informing Mid-year Review (à la EAP) (covers applicable risks, issues, mitigation responses/controls, evidence and control status); evaluate, and adjust risks and/or mitigation measures where necessary.
Complete year-end mitigation tracking grid, to inform DPR; evaluate, and adjust risks and/or mitigation measures where necessary.

For each prioritized, material and applicable risk element or sub-risk or intermediate outcome at risk, each OPI would prepare the following grid:

STATUS of CONTROLS

Program (as per PAA):			Period:
Relevant risk element or sub-risk or intermediate outcome at risks			
OPI Accountabilities (Col. 1)	Issues (Col. 2)	Responses, Actions and Evidence (Col. 3)	Status Rating (Col. 4)
Bullets	Bullets	Bullets	Bullets

The grid has four columns for:

1. Accountabilities of the Office of Primary Interest (OPI) for the actions required, including regional accountabilities: who is accountable for addressing the risk element
2. Issues related to the risks and their mitigation arising in the tracking period
3. Responses, actions required and/or completed, as well as verifiable evidence related to address the risks and issues, including regional issues
4. Current status rating of the mitigation responses, recommended to DMC. The Program DG will conduct a self-assessment. Ratings can be one of the following:
 - **Controlled** (levels of acceptance (appetite) of risk are understood and communicated; appropriate controls are identified – usually verifiable systems and practices; controls are effective, given resources available and risk appetite/tolerance parameters; evidence is complete; material issues are resolved; effects on organizational performance are within risk acceptance range.)
 - **Tentatively Controlled** (mostly controlled; needs identification of further evidence or documentation such as implementation of the Management Action Plan in response an issue; some issues may exist such as with communications, control effectiveness)
 - **Attention Required by DMC** (e.g., serious shortcomings; controls ineffective; and/or some issue requires strategic direction from DMC)

The RRBM will summarize the tracking grids and produce a report at mid-year and year-end showing the distribution of ratings by control status category:

SUMMARY of STATUS of CONTROLS on RISKS
By Accountable OPI

Accountable OPIs	“Controlled”	“Tentatively Controlled”	“Attention Required by DMC”	Total Ratings¹ Boxes
Total Ratings Boxes				

This summary report will go to DMC and DAC via the CFO.

¹ R# = Ratings Box Number in Table 1

Annex D

References

- TBS, *MAF Simplified Report: Fisheries and Oceans Canada, Round 7 2009-2011 Final*, (The DFO's Management Accountability Framework (MAF) Round VII Draft Assessment is available on the TBS MAF Portal.)
- DFO, *Final Version - CFO Work Plan to Address MAF VII Assessment, June 11, 2011*. This includes the DFO responses to opportunities and recommendations for the Area of Management 9 – Effectiveness of Corporate Risk Management in the MAF Assessment
- OCG, *Horizontal Internal Audit of Corporate Risk Profiles in Large Departments and Agencies*, November 2009
- DFO, *1st Status Report Update: June 17, 2011, on the Implementation of the Management Action Plan in response to the Horizontal Internal Audit of Corporate Risk Profiles in Large Departments and agencies (LDAs)*

Annex E

Cross-walk from the 2009 to the 2011 Corporate Risk Profile

2009 Corporate Risk Profile		Comments on Transitioning to 2009-10	2011 Corporate Risk Profile (Proposed)	
Risk	Champions		Risk	OPIs / Leads
INTERNAL RISKS				
Human Capital There is a risk that DFO will be unable to attract, develop and retain sufficiently qualified human resources to deliver on its mandate.	Michelle d'Auray Bob Lambe Faith Scattolon Jim Jones	Risk retained with a proposed change to the risk definition	1. Human Capital There is a risk that DFO will be unable to sustain a sufficient and representative workforce with the appropriate competencies to adequately support, deliver and manage programs and services.	Program DGs (Each OPI will identify and mitigate elements of risk particular to his or her program)
Information for Decision-Making There is a risk that sufficient and appropriate information will not be available on a timely basis to support decision making.	Wendy Watson-Wright Bob Lambe	Risk retained with no change	2. Information for Decision-Making There is a risk that sufficient and appropriate information will not be available on a timely basis to support decision making.	Program DGs (Each OPI will identify and mitigate elements of risk particular to his or her program)
Organizational Adaptability There is a risk that DFO will be unable to effectively adapt to emerging priorities, directions and environmental conditions.	Claire Dansereau Richard Nadeau	The analysis of risk profiles did not support maintaining these risks as separate departmental risks.	4. Strategic Alignment There is a risk that DFO's resources, activities, plans and strategies will not be sufficiently harmonized with the priorities and expectations of the Government of Canada and other external stakeholders.	Program DGs (Each OPI will identify and mitigate elements of risk particular to his or her program)
Internal Alignment There is a risk that activities, accountabilities and resources within DFO will not be optimally aligned to meet objectives	Cal Hegge Jim Jones	These two risks have been combined in a new risk thought to be better supported by the departmental risk profiles.		
Physical Infrastructure There is a risk that DFO will be unable to invest in or maintain the infrastructure necessary to achieve its objectives.	George Da Pont Cal Hegge Paul Sprout		3. Physical Infrastructure There is a risk that DFO will be unable to invest in or maintain the infrastructure necessary to achieve its objectives	Program DGs (Each OPI will identify and mitigate elements of risk particular to his or her program)
		New internal risk proposed for 2011	5. Financial Capacity There is a risk that sufficient resources will not be available to support program	Program DGs (Each OPI will identify and mitigate elements of risk particular to his or her program)

			delivery and maintain service levels for internal and external client base.	
		New internal risk proposed for 2011	6. Communications Capacity There is a risk that stakeholder awareness, understanding and acceptance of DFO mandate, programs, regulations, decisions, roles and responsibilities, and value added will be affected by gaps in communications and consultations.	Program DGs (Each OPI will identify and mitigate elements of risk particular to his or her program)
EXTERNAL RISKS				
Legal and Compliance There is a risk that DFO, in its operations, will be found non-compliant with the applicable governing law and policies, or will not be able to ensure public compliance with its legislation and regulations.	Claire Dansereau Dave Bevan François Daigle	Risk retained with proposed change to the risk definition.	7. Legal Risk There is a risk that DFO will make decisions which will be successfully challenged before the courts, and result in either significant financial liability, or negative effects on DFO's legislative or regulatory authorities. In addition, there is a risk that DFO will not be able to ensure public compliance with its regulatory legislation, resulting in additional litigation by groups seeking to have DFO's regulatory mandate enforced or extended.	Program DGs (Each OPI will identify and mitigate elements of risk particular to his or her program)
Stakeholder Expectations There is a risk that DFO will be unable to manage expectations and maintain the confidence of stakeholder groups, the public, media and elected officials.	Michaela Huard Jim Baird Nancy Hurlburt	The analysis of risk profiles did not support maintaining these risks as separate departmental risks.	8. Third Party Reliance There is a risk that third parties, on which DFO relies to deliver many of its programs and services, will not be able to produce the necessary results. There is a risk that DFO has entered into third party agreements that may not be directly linked with key	Program DGs (Each OPI will identify and mitigate elements of risk particular to his or her program)
Partnering and Collaboration There is a risk that DFO will be unable to create and sustain effective	Mimi Breton Faith Scattolon	These two risks have been combined in a new risk thought to be better supported by		

partnerships, or that there will be failures on the part of third parties on which DFO relies.		the departmental risk profiles.	departmental priorities thus reducing the department's ability to reallocate funding to higher priorities.	
		New external risk proposed for 2011 <ul style="list-style-type: none"> This is based on analyses of departmental reports (RPP, DPR) and environmental scan 	9. Climate Change There is a risk that climate change could affect DFO's ability to make policy decisions related to oceans, ecosystem and habitat management and to deliver operational services.	Program DGs (Each OPI will identify and mitigate elements of risk particular to his or her program)
		New external risk proposed for 2011 <ul style="list-style-type: none"> This is based on analyses of departmental reports (RPP, DPR) and environmental scan 	10. Economic and Market Pressures There is a risk that DFO will be unable to maximize economic returns to Canada's fisheries and oceans resources.	Program DGs (Each OPI will identify and mitigate elements of risk particular to his or her program)
		New external risk proposed for 2011 <ul style="list-style-type: none"> This is based on analyses of departmental reports (RPP, DPR) and environmental scan 	11. Overcapacity and Overfishing There is a risk that DFO will be unable to manage and protect fisheries resources and foster viability because of commercial fishing fleet overcapacity.	Program DGs (Each OPI will identify and mitigate elements of risk particular to his or her program)
		New external risk proposed for 2011 <ul style="list-style-type: none"> This is based on analyses of departmental reports (RPP, DPR) and environmental scan 	12. Higher Input Costs There is the risk that higher input costs (e.g. fuel, value of the dollar, labour etc.) are creating challenges for the industry in maintaining economically prosperous fishing and processing enterprises	Program DGs (Each OPI will identify and mitigate elements of risk particular to his or her program)
		New external risk proposed for 2011 <ul style="list-style-type: none"> This is 	13. Hazard-type or Crisis-type Risks There is a risk that DFO	Program DGs (Each OPI will identify and mitigate elements of

		based on analyses of departmental reports (RPP, DPR) and environmental scan	will be ill-prepared to respond effectively to major hazards and crises (e.g., oil spill response regime 20 years old) (involves matters such as contingency planning)	risk particular to his or her program)
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ANNEX F

Timing of the Steps of the Integrated Risk Management Annual Process

Steps	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D	J	F
Upstream - Risk Assessment Coverage for the Corporate Risk Profile (CRP)	✓																
1. Launch of the New Annual Cycle; Selection of the IRM Team Members																	
2. <i>Post Mortem</i> of Previous Cycle (CRP-1); Development and Approval of the Annual Work Plan for updating the CRP	✓	✓															
3. Implementation of Work Plans and Training Plans (Information Gathering, Analysis, Research and Reports)		✓	✓	✓	✓	✓	✓										
4. Preparing and Approving the Corporate Risk Profile								✓	✓								
5. Integration with Business Planning and Priority Setting												✓	✓	✓	✓		
6. DMC Evaluation of Progress in IRM	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		
Downstream – Detailed Mitigation Management for CRP-1	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓					
7A Detailed Mitigation Planning and Implementation																	
7B.(CRP-1) Progress Reporting to DMC on Mitigation						✓					✓						

Other DFO Reports

Environmental Scan – Draft with Analysis									✓								
RPP (as per DFO's Planning & Reporting Calendar)												✓	✓	✓	✓	✓	✓
DPR (as per DFO's Planning & Reporting Calendar) (CRP-1)								✓	✓	✓	✓	✓					
Business Planning (as per DFO's Planning & Reporting Calendar)															✓	✓	✓
Internal Mid-year Review											✓	✓	✓				
Priority Setting - DMC												✓					

ANNEX F

Making Risk Real at DFO

Identification of Key Risks and Mitigation Responses

- Programs Develop Risk Profiles including Key risks, mitigation responses, and accountabilities
- Understand, Analyze, and Assess Program Risks
- Validate risks via Regional Risk Workshops
- CFO consolidates Program Risk Profiles into Corporate Risk Profile CRP
- Review of CRP by DAC
- DMC Approval of the CRP

Accountability

- CFO
- Program DGs (OPIs)
- Regions

Integration of Mitigation Response into Plans

- CRP used by DMC to Determine Departmental Priorities
- Integration of Program Risk Profiles into program business and operational plans CRP Integrated into RPP and Corporate Business Plan
- Program Risk Profiles are Adjusted or Updated as Required
- PMAs and SLAs Include Risk Mitigation and Monitoring

Accountability

- DMC
- DAC
- CFO
- Regions
- Program DGs (OPIs)

Implementation, Tracking, and Reporting on Mitigation Responses

- Programs and Regions Implement Plans (including mitigation responses)
- OPIs Monitor Risks Each Fiscal Period
- OPIs Use Tracking Grid to Report on Mitigation
- CFO Analyzes and challenges the
- CFO Prepares Summary Reports for DAC and DMC
- DPR reports Evidence of Risk Mitigation
- DAC Reviews DPR
- DMC Approves DPR

Accountability

- DMC
- DAC
- CFO
- Regions
- Program DGs (OPIs)

Learning and Improvement

- CFO Initiates Post-Mortem on Risk cycle
- CFO Initiates Lessons Learned Session
- Lessons Learned Feed into the Next CRP
- Refine Mitigation Strategies for Future Year
- CFO Reviews MAF Assessment Status and Progress
- CFO Prepares MAF Action Plan

Accountability

- CFO
- Regions
- Program DGs (OPIs)

ANNEX F

Key Activities by Quarter



ANNEX F

Integrated Risk Management Process

