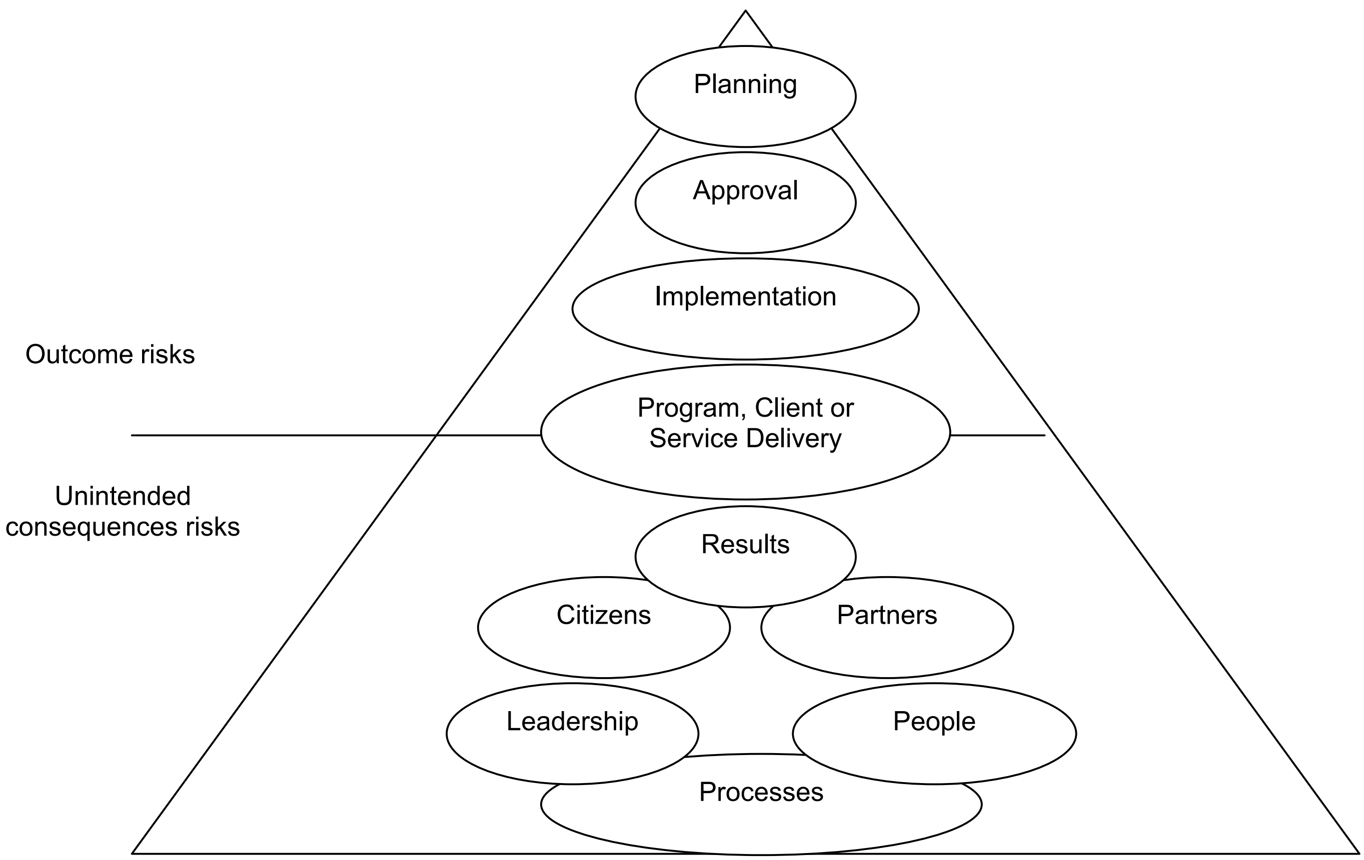
Risk Dictionary

This risk dictionary provides a high-level framework for identifying common risks that may be encountered in government, and sets out a standard language for the province to use in its Enterprise-wide Risk Management implementation. Risks have been organized into two major categories: outcome risks, and unintended consequences risks. These categories are further subdivided in accordance with the following model of enterprise-wide risk relationships:



Enterprise-wide risk relationships

Whereas this dictionary sets out definitions for common enterprise-wide risks, each risk may be viewed as an opportunity using its reverse meaning.

Outcome Risks The overarching risk that the policy, program or project will not achieve the intended outcome.

Planning	*Information for decision-making risk*. Irrelevant or unreliable information used to support the execution of the business model, the internal and external reporting on performance and the continuous evaluation of the effectiveness of the ministry's business model.
	Accounting information risk. Overemphasis on financial accounting information to manage the business may result in the manipulation of outcomes to achieve financial targets at the expense of not meeting customer satisfaction, quality and efficiency objectives.
	Budget and planning risk. Non-existent, unrealistic, irrelevant or unreliable budget and planning information may cause inappropriate financial conclusions and decisions.
	Compliance (Regulatory and Other) Risk. Non-compliance with customer requirements, prescribed organizational policies and procedures or laws and regulations may result in lower quality, higher costs, lost revenues, unnecessary delays, penalties, or fines.
	Environmental scan risk. Failure to monitor the external environment or formulation of unrealistic or erroneous assumptions about environmental risks may cause the ministry to retain business objectives or strategies long after they have become obsolete.
	Business model risk. The ministry has an obsolete business model and does not recognize it and/or lacks the information needed to make an up-to-date assessment of its current model and build a compelling business case for modifying that model on a timely basis.
	Business portfolio risk. Lack of relevant and reliable information that enables management to effectively prioritize its services or balance its business areas in a strategic context may preclude a diversified ministry from optimizing its overall performance.
	Organization structure risk. Management lacks the information needed to assess the effectiveness of the ministry's organizational structure, which threatens its capacity to change or achieve its long-term objectives.
	Measurement (strategy) risk. Non-existent, irrelevant or unreliable performance measures that are inconsistent with established business strategies threaten the ministry's ability to execute its strategies.
	Measurement (operations) risk. Non-existent, irrelevant and/or unreliable non-financial measures may cause erroneous assessments of and conclusions about operational performance.
	Alignment risk. Failure to align business process objectives and performance measures with enterprise-wide and/or operating unit objectives and strategies may result in conflicting, uncoordinated activities throughout the ministry.

	Planning risk. An unimaginative and cumbersome strategic planning process may result in irrelevant information that threatens the ministry's capacity to formulate viable Service Plan or result in goals and objectives that are inappropriate.
	Technological innovation risk. The ministry is not leveraging advancements in technology in its business model to achieve or sustain competitive advantage or is exposed to the actions of substitutes that do leverage technology to attain superior quality, cost and/or time performance in their products, services and processes.
Approval	*Lost opportunity risk*. Delays in approval result in failure to implement a policy, program or project where the optimum window of opportunity is time-limited or situational.
	Fiscal year pressures risk. The policy, program or project is delayed because of fiscal year planning timeframes or unforeseen budgetary restraints.
	Legislative change risk. Implementation of a policy, program or project is dependent upon legislative change.
Implementation	*Implementation risk*. The policy, program or project, once approved, will not be implemented as planned.
	Capacity risk. The implementation of the policy, program or project will exceed the ministry's management capacity and/or that it will be perceived that the implementation of the policy, program or project will exceed the ministry's management capacity.
	Financial resources risk. Insufficient access to required financial resources threatens the ministry's capacity to execute its Service Plan.
	Budgetary pressures risk. The government's financial objectives at the program, ministry or government level will not be achieved as a result of the financial pressures created by this policy, program or project.
	Cost or time overruns risk. The policy, program or project takes longer to complete or implement, or costs more than was anticipated resulting in reputation damage to the minister or government.
	Business interruption risk. Business interruptions stemming from the unavailability of raw materials, information technologies, skilled labour, facilities or other resources, or major government or ministry restructuring threaten the ministry's capacity to implement the policy, program or project or to continue operations.
	Disaster risk. A major disaster threatens the ministry's ability to sustain operations, provide essential products and services or recover operating costs.
Program, Client or Service Delivery	*Inappropriate outcomes risk.* Successful implementation of the policy, program or project does not meet the objective it set out to attain.

Unintended Consequences Risk The risk that, while the outcome is achieved, the ministry policy, program or project has unintended consequences, either for the target group of the policy, program or project or another group.

Results

Legal / Integrity	*Legal risk*. A government or ministry initiative/action will contravene a statute or regulation or that the ministry/government will be litigated against.
	Management fraud risk. Intentional misstatement of financial statements or misrepresentation of the ministry's capabilities or intentions may adversely affect external stakeholders' decisions.
	Probity risk. Incomplete, inaccurate and/or untimely reporting of required financial and operating information to regulatory agencies may expose the government or ministry to reputation loss or legal action.
	Employee/third-party fraud risk. Fraudulent activities perpetrated by employees, customers, suppliers, agents, brokers or third-party administrators against the ministry for personal gain (e.g. misappropriation of physical, financial or information assets) expose the ministry to financial loss.
	Illegal acts risk. Illegal acts committed by managers or employees may expose the ministry to fines, sanctions and loss of customers, revenue and reputation.
	Unauthorized use risk. Unauthorized use of the ministry's physical, financial or information assets by employees or third parties exposes the ministry to unnecessary waste of resources and financial loss.
	Standards of Conduct risk. The provincial public service's fundamental ethical values will be threatened if government standards of conduct are violated.
Economic	*Economic impact risk.* The province's economic growth will be reduced as a result of government actions.
Environmental	*Natural resources risk.* Environmental or property damage caused by government implementation of the policy, program or project.
	Wild life and ocean life risk. The policy, program or project may have an adverse effect on natural habitat, physical health or species population.
	Human risk. The policy, program or project may have an adverse effect on human environments, health or population.

Citizens

Satisfaction	*Program/service failure risk.* The ministry's level of customer service is degraded (i.e. promptness, timeliness, accuracy, or completeness of service) or faulty or non-performing programs or services expose the ministry to complaints, liability claims, litigation, loss of revenues, and administrative or management reputation.
	Program or service development risk. Ineffective program or service development threatens the ministry's ability to meet or exceed customers' needs and wants consistently over the long term.

	Demand risk. Insufficient capacity threatens the ministry's ability to meet citizen demands for services.
	Performance gap risk. Inability to perform at acceptable levels in terms of quality, cost and/or cycle time performance due to inferior internal operating practices and/or external relationships threatens the demand for the ministry's programs or services.
Expectations	*Expectation risk.* Customers, clients and/or the general public have expectations that exceed the ministry's capacity to fulfill. A lack of focus on consumers of programs or services threatens the ministry's capacity to meet or exceed customer, client or general public expectations.
Taxpayer	*Taxpayer risk.* Taxpayers, as opposed to clients, will be negatively affected and, therefore, will lose trust/confidence in the government or ministry.
Societal	*Social stability risk.* The province's social stability/quality of life will be damaged as a result of government actions.
	Social reform risk. Government policies, programs or projects intended to reform social services or practices increases the health risks of citizens or adversely impact quality of life in certain communities or across the province.
	Economic reform risk. Government policies, programs or projects intended to stimulate economic growth adversely impact quality of life in certain communities or in certain demographics across the province.
	Environmental reform risk. Government policies, programs or projects intended to reform environmental practices increase the health risks of citizens or adversely impact quality of life in certain communities or across the province.

Partners

Stakeholders	*Stakeholder risk*. The relationship with stakeholders will be damaged or stakeholders will lose trust/confidence in the government or ministry.
	Communication and consultation risk. Insufficient or inappropriate communication and consultation with clients, customers, taxpayers, service providers and other key stakeholders results in misunderstanding, reputation damage, or political exposures.
	Political alignment risk. Government activities are incongruent with election platform and/or party policy.
	Special interest groups risk. Planning, consultation and communications fail to recognize the needs and objectives of special interest groups.
Labour Relations	*Labour relations risk.* Government actions, negotiation delay, or a ministry decision to implement alternative service delivery models may contravene collective agreements or mutually acceptable business practices and the positive relations with collective bargaining agents will be disrupted.
Service Providers	*Service provider risk*. The relationship with delivery partners will be damaged or delivery partners will lose trust/confidence in the government or ministry.

	Service integrity risk. Outsourcing or contracting activities to third parties may result in the third parties not acting within the intended limits of their authority or not performing in a manner consistent with the ministry's strategies and objectives.
	Transparency risk. Procurement and contracting activities are subject to both perceived and actual fairness and transparency.
	Alternative service delivery risk. Inefficient or ineffective alliance, joint venture, affiliate and other external relationships affect the ministry's capability to compete; these uncertainties arise due to choosing the wrong partner, poor execution, taking more than is given (resulting in loss of a partner) and failing to capitalize on partnering opportunities.

Leadership

Political	*Reputation risk.* Damage to the ministry's reputation exposes it to loss of political support or elected officials will be negatively affected by government actions.
Management	*Management risk.* Managers and employees are not properly led, don't know what to do when they need to do it, exceed the boundaries of their assigned authorities, or are given incentives to do the wrong thing.
	Leadership risk. The ministry's people are not being effectively led, which may result in a lack of direction, customer focus, motivation to perform, management credibility and trust throughout the ministry.
	Authority/limit risk. Ineffective lines of authority may cause managers or employees to do things they should not do or fail to do things they should. Failure to establish or enforce limits on personnel actions may cause employees to commit unauthorized or unethical acts, or to assume unauthorized or unacceptable risks.
	Performance risk. Unrealistic, misunderstood, subjective or non-actionable performance measures may cause managers and employees to act in a manner inconsistent with the ministry's objectives, strategies and ethical standards, or with prudent business practice.
	Communications risk. Ineffective communication channels may result in messages that are inconsistent with authorized responsibilities or established performance measures.
	Change readiness risk. The people within the ministry are unable to implement process and product/service improvements quickly enough to keep pace with changes.

People

Human Resources	*Human resources risk.* A lack of requisite knowledge, skills and experiences among the ministry's key personnel threatens the execution of its business model and achievement of critical business objectives; current staff may leave or the ministry will be unable to recruit and retain an adequate number of skilled and knowledgeable employees.

	Succession risk. Government and ministries fail to address aging workforce, recruitment and professional development opportunities in human resource succession planning.
	Key personnel risk. Loss of key positions or key staff required to direct and maintain essential operations would have a significant effect upon the ministry.
Knowledge	*Knowledge capital risk.* Processes for capturing and institutionalizing learning across the ministry are either non-existent or ineffective, resulting in slow response time, high costs, repeated mistakes, slow competence development, constraints on growth and unmotivated employees; ministry's knowledge asset will be lost or damaged through loss of/inaccessibility to data storage, loss of key staff, inability to collect, analyze and disseminate information.
Safety	*Health and safety risk.* Failure to provide a safe working environment for its workers exposes the workers to physical or emotional risk, and the ministry to compensation liabilities, loss of business reputation and other costs.

Processes

Financial Management	*Financial management risk.* The ministry's capacity to manage its financial resources cost-effectively would be compromised.
	Financial reporting evaluation risk. Failure to accumulate relevant and reliable external and internal information to assess whether adjustments to or disclosures in financial statements are required may result in the issuance of misleading financial reports to external stakeholders.
	Financial systems risk. Essential financial transactions are subject to breakdown or inaccuracies resulting in errors or delay
	Contract information risk. Insufficient or inadequate information collected to track contract commitments and to perform effective contract management.
	Facilities and capital assets risk. Improper due diligence and controls in the acquisition, management and disposal of government facilities and capital assets expose ministries to loss and misuse.
	Investment or project evaluation risk. Lack of relevant and/or reliable information supporting investment or project decisions and linking the risks undertaken to the capital at risk may result in poor decisions.
	Cash flow risk. Exposure to lower tax returns or the necessity to borrow due to shortfalls in revenue or expected revenue (or variances in their timing).
	Opportunity loss risk. The use of funds in a manner that leads to the loss of economic value, including time value losses and transaction costs.
Information Technology	*Damage or theft risk.* Equipment is subject to breakdown, wear and tear, employee or contractor theft, viruses, or is exposed to potential loss or misuse.
	Relevance risk. Irrelevant information created or summarized by an application system may adversely affect users' decisions.

	Integrity risk. All of the risks associated with the authorization, completeness and accuracy of transactions as they are entered into, processed by, summarized by and reported by the various application systems deployed by the ministry.
	Access risk. Failure to adequately restrict access to information (data or programs) may result in unauthorized knowledge and use of confidential information, *or* overly restrictive access to information may preclude personnel from performing their assigned responsibilities effectively and efficiently.
	Availability risk. Unavailability of important information when needed threatens the continuity of the ministry's critical operations and processes.
	Infrastructure risk. The risk that the ministry does not have the information technology infrastructure (e.g. hardware, networks, software, people and processes) it needs to effectively support the current and future information requirements of the business in an efficient, cost-effective and well-controlled fashion.
Operational procedures	*Effectiveness and efficiency risk.* Processes and procedures are not clearly defined or poorly aligned with the strategies driving the business area, or are not performing effectively and efficiently in satisfying customer needs at or below cost levels incurred by alternative service providers.
	Cycle time risk. Unnecessary activities threaten the ministry's capacity to meet its Service Plan goals and objectives on a timely basis.
	Controls risk. The operational processes and procedures in place are either excessive or insufficient related to the operational requirement and exposure.
Government-wide initiatives (such as Shared Services)	*Consistency risk.* Government operating on inefficient or parallel systems, frustrating citizens, taxpayers, customers and other stakeholders.