CANADIAN COMMISSION
HUMAN RIGHTS CANADIENNE DES
COMMISSION DROITS DE LA PERSONNE

INTERNAL AUDIT AND EVALUATION PRIORITIES

Risk Assessment Exercise

Planning, Internal Audit and Evaluation Division
Corporate Services Branch
Final October 4, 2004
(*Approved by the Internal Audit & Evaluation Committee on September 30, 2004*)

SECTION 1

1.1   Purpose

The purpose of this exercise is to assist the Planning, Internal Audit and Evaluation function in the preparation of the Commission's "Internal Audit, Evaluation and Risk Management" three year plan.

1.2   Definition of Risk Related Terms

Residual Risk

The risk remaining after response or mitigation (existing measures and incremental strategies)

Risk

Combination of the likelihood of an event and its impact - Source: International Standards Organization (ISO).

or

The uncertainty that surrounds future events and outcomes. It is the expression of the likelihood and impact of an event with the potential to influence the achievement of an organization's objectives. - Source: Integrated Risk Management Framework, Treasury Board of Canada Secretariat (TBS).

Risk Assessment

Overall process of identification, measuring impact, likelihood and risk evaluation.

Risk-Based Audit Framework (RBAF)

Risk-Based Audit Framework is a management process/tool that explains how risk concepts are integrated into the strategies and approaches used for managing programs that are funded through transfer payments.

Risk Criteria

Standards by which the risks are to be assessed.

Risk Evaluation

Process of comparing the estimated risk against risk criteria.

Risk Management

Overall application of policies, processes and practices dealing with risk.
Note: Risk management may include identification, assessment, response, monitoring, review and communications.

Sources of Risk

An event, circumstance or activity with a potential for consequences; for risk assessment purposes sources of risk need to be converted to/categorized as impact or likelihood risk factors.

SECTION 2

2. 1   Approach To Planning

The risk assessment exercise is based on the *Treasury Board Secretariat Risk-based Internal Audit Priorities Toolset for Small Departments and Agencies* dated March 2003. Using the Toolset, the Planning, Internal Audit & Evaluation Division (the Division) has identified sources of risks through the form of potential projects; conducted a risk assessment for each potential project based on a series of assessment criteria and defined the internal audit priorities. These priorities are reflected in the three-year risk-based plan of the Division.

The following assessment criteria were used to identify priorities for audit and evaluation projects:

•   ***Current Plan:*** Identifies whether the component/activity was included in the 2003-2004 Internal Audit and Evaluation Plan.

•   ***Government Priorities and Initiatives:*** The component/activity is a requirement or of a greater interest to the federal government (i.e. TBS, OAG, Speech from the Throne, Budget)

•   ***Interest to the Commission:*** The activity plays an important role in helping senior management to properly manage the affairs of the Commission and to fulfill the mandate of the Commission by delivering quality service to Canadians, Parliamentarians and other stakeholders.

•   ***Cost:*** Extent of financial and human resources consumed by the component/activity in dollar terms (FTE; O&M).

•   ***Reach:*** Number of people impacted by the component/activity, inside and outside the Commission.

- ***Results:*** Priority put by the government, senior management of the Commission and the Internal Audit and Evaluation function on the need to audit or evaluate a specific component/activity.

- ***Need:*** Priority put by managers (i.e. program managers) to audit or evaluate a component/activity on the basis that this component/activity could better meet their specific needs and increase corporate performance.

Within these assessment criteria, risk will be evaluated based on the significance of and potential or actual negative impact on the Commission of critical outstanding issues, in terms of staff morale, objective and results achievement, and/or criticisms or interests by TBS / OAG / Parliament.

2.2   Potential Sources of Risk

When identifying sources of risk, it is important to use a variety of views or perspectives, since risks can occur or materialize in many different ways.

For purposes of this document, "sources of risk" relate to business lines, programs, initiatives, functions, processes, systems, activities, etc., but also include other types of dimensions, factors or perspectives where risks may potentially exist.

Five main categories of views or perspectives are proposed to help identify sources of risk.

Strategic Perspective	Business Line Perspective	Corporate Management Perspective	Compliance Perspective	Government Agenda Perspective
Sources that can impede the achievement of mandate and objectives	Sources that can impede the achievement of business line or program objectives	Sources that may not effectively support the achievement of results	Sources that could embarrass the organization or cause liabilities for not complying with legal and regulatory frameworks.	Sources that are critical to ensure alignment with government-wide commitments.
Sources of Risk • Policy and strategy • Corporate reputation • Political factors • Public expectations • Stakeholder relations • Media relations • Industry developments • Changing demographics • Globalization • National security threats • Business continuity • Emergency preparedness	**Sources of Risk** • Business line activities • Program activities • Program delivery • Client services • Service delivery • Alliances, partnerships • *Etc.* • *These sources of risk are unique to each organization*	**Sources of Risk** • Structure and reporting relationships • Planning and priority setting • Budgeting and resource allocation • Expenditure management • Revenue and cost recovery • Transfer payments • Procurement and contracting • Financial management • Performance management • Project management • Change management • Inventory management • Asset management • Human resources • Information and knowledge • Information technology • Communications	**Sources of Risk** • Funding and appropriations • Statutory reporting • Compliance to laws and regulations • Compliance to central agency policies • Agreements and contractual obligations • Workplace health and safety • Environment protection • Security, privacy and confidentiality • Legal liabilities and litigation	**Sources of Risk** • Citizen focus • Values and ethics • Accountability • Transparency • Managing for results • Responsible spending • Client satisfaction • Government on-line • Improved reporting • Modern comptrollership

2.3   Assessing the Likelihood of Occurrence

According to the document entitled *TBS Integrated Risk Management Framework*, "risk refers to the uncertainty that surrounds future events and outcomes. It is the expression of likelihood and impact of an event with the potential to influence the achievement of an organization's objective." Once all the risks have been documented, they are assessed as to their potential impact and likelihood, and a simple rating scale can be used for this purpose. The rating scale should range from minor to significant impact, and low to high likelihood, using a 3-point scale. Other, more sophisticated scales can be used if they are deemed to be more useful.

For purposes of the assessment, impact refers to the extent of the consequences or implications if the risk does occur. To assess impact, people need to ask themselves "How much of an impact will the risk have if it does occur?"

• A **minor** impact suggests that the risk would not have important implications on the organization.
• A **moderate** impact suggests that the risk could have implications for the organization's ability to succeed.
• A **significant** impact suggests that the risk would have important implications on the organization.

For purposes of the assessment, likelihood refers to the probability that the risk may occur given the current context of the organization. To assess likelihood, people need to ask themselves "How likely is the risk to occur in the future, given what we currently do about it?"

• A **low** likelihood suggests that the risk is unlikely to occur, given its nature and current risk management practices in place.
• A **medium** likelihood of occurrence suggests that the risk has a moderate probability of occurrence.
• A **high** likelihood of occurrence suggests that the risk is likely to occur, despite current risk management practices in place.

Exhibit 1 shows the risk management actions that managers should consider for each possible impact and likelihood combination.

Exhibit 1: Risk Management Actions

Impact		Low	Medium	High
	Significant	Considerable Management Required	Must manage and monitor risks	Extensive management essential
	Moderate	Risk may be worth accepting with monitoring	Management effort worthwhile	Management effort required
	Minor	Accept risk	Accept, but monitor risks	Manage and monitor risks
		Low	**Medium**	**High**
		Likelihood		

SECTION 3

3.1   Potential Projects to be Assessed

We identified the following projects for audit and evaluation that will be assessed using a template described in the following section:

a)   **Audit (Assurance and Consulting Services)**

Assurance Services
- Financial Audit
- Management Audit Legal Services
- Management Audit of Operations Sector (including Investigations Branch and Regional Offices)
- Management Audit Policy and Employment Equity Branch
- Procurement and Contracting

Consulting Services

- Information Management
- Human Resources Classification Framework & other related issues
- Inventory of CHRC's Policies, Procedures, and Systems

The mandate and scope of the ITI Project are currently under review, therefore we are recommending that no audit "consulting services" work relating to this project be undertaken until the mandate and scope are finalized.

b)   **Evaluation**

• RMAF for the Commission
• Human Rights Complaint Process Evaluation Framework including RMAF
• Human Rights Complaint Process Evaluation Study
• Human Rights Complaint Process Client Survey
• ADRS Program Evaluation Framework
• ADRS Program Evaluation Study
• Discrimination Prevention Program Evaluation Framework
• Discrimination Prevention Program Evaluation Study

c)   **Risk Management**

• Risk Management Policy
• Risk Management Framework
• Risk Management Workshops

The assessments of risks and other components will determine the priority of inclusion of each project to be included in the Audit and Evaluation Plan for 2004-2005.

3.2   Assessment Approach

For each potential project an assessment will be undertaken for the 7 assessment criteria on sources of risk (i.e. Current Plan, Government Priorities and Initiatives, Interest to the Commission, Cost, Reach, Results, and Need). The comments within each assessment criterion will be consolidated for the 5 source of risk (Strategic Perspective, Business Line Perspective, Corporate Management Perspective, Compliance Perspective, and Government Agenda Perspective). For each assessment criteria the impact and likelihood of occurring are given a single rating criterion (low, medium, high).

SECTION 4

4.1   **Proposed Audit Projects - Assurance Services**

Audit Project - Assurance Services: Financial Audit

Assessment Criteria	Risk Categories Assessment	Rating (Impact and Likelihood)
Current Plan	Included in the 2003-04 audit and evaluation plan. The Financial Audit commenced in 2003-04 and is scheduled for finalization in fiscal 2004-05 (Audit Report to be reviewed and approved by the Audit and Evaluation Committee; translation; posting on CHRC's web site and transmission to TBS-CEIA).	

Audit Project - Assurance Services: Management Audit of Legal Services

Assessment Criteria	Risk Categories Assessment	Rating (Impact and Likelihood)
Current Plan	Included in the 2003-04 audit and evaluation plan. The Management Audit of Legal Services commenced in 2002-03 and is scheduled for finalization in fiscal 2004-05 (Audit Report to reviewed and approved by the Audit and Evaluation Committee; translation; posting on CHRC's web site and transmission to TBS-CEIA).	

Audit Project - Assurance Services: Management Audit of the Operations Sector (including Investigations Branch and Regional Offices)

Assessment Criteria	Risk Categories Assessment	Rating (Impact and Likelihood)
Current Plan	Included in the 2003-04 audit and evaluation plan.	HIGH
Government Priorities and Initiatives	The issue of the human rights complaint process has been raised by the OAG audit in its 1998 report, the Public Accounts Committee, and the LaForest Report.	HIGH
Interest to Commission	CHRC Senior Management is currently redesigning the complaint process which is administrated by the Operations sector (intake and investigations) and ADRS (mediation and conciliation).	HIGH
Cost	The following human and financial resources are allocated to the Operations Sector: 65.35 FTE's, and a budget value of $6,057,750 (salaries of $4, 268,600 and O&M of $1,789,150). The total budget of the Sector accounts for almost 30% of the total budget of the Commission.	HIGH
Reach	The majority of the Commission's staff,(i.e. ADRS Branch, Legal Services, Policy and International Program Branch) are impacted by the work performed by the Operations Sector. In addition, the Sector deals with a significant number of external stakeholders and human right complaints received from the public.	HIGH
Results	The work performed by the Operations Sector impacts on the whole human rights complaint process. A management audit of the Sector will provide assurance that the Sector's resources are used efficiently and effectively, the tasks are properly performed, and the expectations of CHRC Senior Management, Parliamentarians, and Canadians are met.	HIGH
Need	An audit will help managers determine whether the Sector is managed properly or appropriate corrective action needs to be taken.	HIGH

Audit Project - Assurance Services: Management Audit of Policy and Employment Equity Branch

Assessment Criteria	Risk Categories Assessment	Rating (Impact and Likelihood)
Current Plan	Included in the 2003-04 audit and evaluation plan. Due to the other priorities within CHRC the audit was deferred until fiscal 2004-05.	HIGH
Government Priorities and Initiatives	An evaluation study of the Employment Equity Program (EEAP) was completed in 2002-03. The issue of employment equity is a government priority.	HIGH
Interest to Commission	The Policy and Employment Equity Branch is a key area within the Commission. CHRC senior management and the government have placed significant emphasis on the employment equity area. The work preformed by the Policy and Employment Equity Branch helps the Commission fulfill its mandate under the Employment Equity Act and Canadian Human Rights Act.	HIGH
Cost	The following human and financial resources are allocated to the Policy and Employment Equity Branch: 32.42 FTE's, and a budget of $2,535,200 (salaries of $2,280,800 and O&M of $254,400). The budget of the Branch accounts for 12% of the total budget of the Commission.	HIGH
Reach	The work performed by the Policy and Employment Equity Branch impacts the life of federal and federally regulated employees and is a matter of scrutiny by federal departments, employers and employees which fall within the legislation, and non-government organizations.	HIGH
Results	A management audit of the Branch will provide assurance that the Branch's resources are used efficiently and effectively, the tasks are properly preformed, and the expectations of CHRC senior management, parliamentarians, and Canadians are met.	HIGH
Need	An audit will help managers determine whether the Branch is managed properly or appropriate corrective action needs to be taken.	HIGH

Audit Project - Assurance Services: Procurement and Contracting

Assessment Criteria	Risk Categories Assessment	Rating (Impact and Likelihood)
Current Plan	Included in the 2003-04 audit and evaluation plan.	
Government Priorities and Initiatives	Treasury Board has put emphasis on the sound management of procurement and contracting across the government.	HIGH
Interest to Commission	Procurement and Contracting for goods and services is a significant element of Commissions activities.	HIGH
Cost	Total O&M expenditures are approximately 40% of total budget of the commission.	HIGH
Reach	All Branches/Sector of the Commission are impacted by procurement and contracting activities.	HIGH
Results	The Procurement and Contracting audit will provide assurance to CHRC's Senior Management that all Branches/Sector are in compliance with TB and Commission policies, procedures and guidelines.	HIGH
Need	The audit will help managers and TB determine whether Procurement and Contracting is being properly managed and functioning as intended.	HIGH

4.2   **Proposed Audit Projects - Consulting Services**

Audit Project - Consulting Services: Information Technology Innovation Audit (ITI) Pre-Implementation Project

Assessment Criteria	Risk Categories Assessment	Rating (Impact and Likelihood)
Need	Managers require accurate and timely information to help them manage their workload and resources, and to determine whether the Commission has properly fulfilled its mandate under the legislation.	HIGH

Audit Project - Consulting Services: Inventory of CHRC's Policies, Procedures and Systems

Assessment Criteria	Risk Categories Assessment	Rating (Impact and Likelihood)
Current Plan	Included in the 2003-04 audit and evaluation plan. Due to the other priorities within CHRC the audit project was deferred until fiscal 2004-05.	HIGH
Government Priorities and Initiatives	Inventory is a main element of broader government initiatives (i.e. Results for Canadians, Modern Comptrollership, Management Accountability Framework and Streamlining of TBS Policies)	HIGH
Interest to Commission	Keeping the inventory "evergreen" helps CHRC to properly manage the elements associated with CHRC's management framework. In addition, it helps CHRC to implement its management accountability framework action plan. Furthermore, it provides CHRC management with assurance that CHRC is complying with Central Agencies and CHRC regulatory requirements.	HIGH
Cost	Significant resources (financial and human) are assigned or consumed by CHRC in various areas for the development and maintenance of CHRC's inventory (i.e. ITI Project).	HIGH
Reach	All CHRC's employees and stakeholders are impacted by the inventory which will help frame how CHRC carries out its business and delivers its mandate.	HIGH
Results	CHRC will determine using a risk based approach, which elements of the inventory (Policies, Procedures and Systems) need to be revised, evaluated or audited.	N/A
Need	Same as "Results" assessment criteria.	N/A

Audit Project - Consulting Services: Information Management

Assessment Criteria	Risk Categories Assessment	Rating (Impact and Likelihood)
Current Plan	Included in the 2003-04 audit and evaluation plan. Due to the other priorities within CHRC the audit project was deferred until fiscal 2004-05.	HIGH
Government Priorities and Initiatives	Information Management is of interest to the OAG and TBS (i.e. Information Management Policy – May 2003).	HIGH
Interest to Commission	Information Management related functions hold or maintain information that are of interest or used by the employees to conduct their activities and make decisions.	HIGH
Cost	The cost allocated to information management function in financial and human resources is low. This includes information management/records services and library services.	LOW
Reach	All employees and stakeholders.	HIGH
Results	Information Management needs to be reviewed in order to ensure that the information is properly maintained and that information that is made available to managers for decision making is reliable.	LOW
Need	The Director who is responsible for the function would like to review the information management related activities in order to ensure that those activities are properly managed and functioning as intended.	HIGH

Audit Project - Consulting Services: Human Resources Classification Framework

Assessment Criteria	Risk Categories Assessment	Rating (Impact and Likelihood)
Current Plan	Not included in the 2003-04 audit and evaluation plan.	
Government Priorities and Initiatives	The government has put emphasis on reviewing the Human Resource elements by introducing HRIS and other human resource management related initiatives.	HIGH
Interest to Commission	Human resources elements including classification is of interest to senior management of the Commission.	HIGH
Cost	The cost allocated to the Human Resources function including classification is low.	LOW
Reach	All managers are impacted by the Human Resource function including classification.	HIGH
Results	The classification framework needs to be assessed to ensure the mechanism will result in accurate and reliable information.	HIGH
Need	CHRC requires a classification framework in order to ensure consistency and proper management of the classification function.	MEDIUM

4.3   Proposed Evaluation Projects

Evaluation Project: Human Rights Complaint Process including RMAF

Assessment Criteria	Risk Categories Assessment	Rating (Impact and Likelihood)
Current Plan	Included in the 2003-04 audit and evaluation plan. The Evaluation Framework commenced in 2003-04 and is ongoing.	HIGH
Government Priorities and Initiatives	CHRC has solicited and obtained extra funding from TBS to eliminate backlogs and to redesign its case management system. Also, the 1998 AG's report dealt with the complaints process. The Public Accounts Committee dealt with the recommendations that resulted from the 1998 AG's report and other related issues with respect to the complaint process. In addition, LaForest report made recommendations with respect to the complaint process.	HIGH
Interest to Commission	Currently the main priorities of the Commission are the elimination of the backlog and the redesign of the human rights complaints process. CHRC continues with a significant redesign of the complaint process.	HIGH
Cost	The majority of CHRC's financial and human resources are assigned to the human right complaint process.	HIGH
Reach	The majority of CHRC's employees and its stakeholders are impacted by the complaint process.	HIGH
Results	The evaluation of the complaints process will determine whether the process is still relevant and helps managers deliver CHRC's mandate.	HIGH
Need	Same as "Results" section.	HIGH

Evaluation Project: ADRS Program

Assessment Criteria	Risk Categories Assessment	Rating (Impact and Likelihood)
Current Plan	Was not included in the 2003-04 audit and evaluation plan.	
Government Priorities and Initiatives	CHRC has solicited and obtained extra funding from TBS in 2002-03 to eliminate backlogs and to redesign its case management system. Also, the 1998 AG's report dealt with the complaint process. The Public Accounts Committee dealt with the recommendations that resulted from the 1998 AG's report and other related issues with respect to the complaint process. In addition, LaForest report made recommendations with respect to the complaint process.	HIGH
Interest to Commission	The main priorities of the Commission are the elimination of the backlog and the redesign of the human rights complaint process (ADRS includes the mediation and conciliation elements of the process).	HIGH
Cost	Significant financial and human resources are assigned to the management of the human rights complaint process (ADRS includes the mediation and conciliation elements of the process).	HIGH
Reach	The majority of CHRC's employees and stakeholders are impacted by work performed by the ADRS Branch.	HIGH
Results	The evaluation of the ADRS program will help managers deliver CHRC's mandate effectively.	HIGH
Need	Same as "Results" section.	HIGH

Evaluation Project: Discrimination Prevention Program

Assessment Criteria	Risk Categories Assessment	Rating (Impact and Likelihood)
Current Plan	Not included in the 2003-04 audit and evaluation plan.	
Government Priorities and Initiatives	The government encourages departments and agencies to take proactive measures to prevent discrimination from occurring.	HIGH
Interest to Commission	The Commission places a high interest in prevention activities to stop or eliminate discrimination from happening. The Commission established a prevention branch in April 2004 to deal with this issue.	HIGH
Cost		
Reach	The majority of CHRC's employees and stakeholders are impacted by the work performed by the prevention program.	HIGH
Results	An evaluation framework including RMAF will help CHRC to effectively manage its prevention program.	HIGH
Need	Same as "Results" section.	HIGH

Evaluation Project: RMAF for the Commission

Assessment Criteria	Risk Categories Assessment	Rating (Impact and Likelihood)
Current Plan	Not included in 2003-04 audit and evaluation plan.	
Government Priorities and Initiatives	Performance management is a high priority for the government. In addition, RMAF's must be prepared in order to enable the organization to prepare TBS Submissions to help TBS determine whether the program in question is still relevant.	HIGH
Interest to Commission	The Commission places a high emphasis on RMAF and its elements in order to determine whether the Commission is functioning effectively.	HIGH
Cost		LOW
Reach	All employees and stakeholders.	HIGH
Results	Senior management has placed significant priority on performance measures, and other elements of RMAF in order to ensure that the Commission's operations are performed effectively.	HIGH
Need	Same as "Results" section.	HIGH