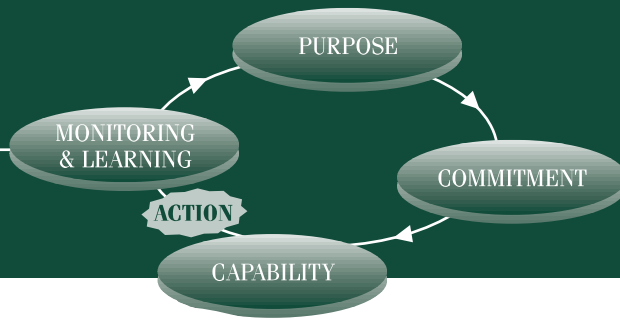


connections

A newsletter for people committed to enhancing decision-making and improving performance through control, risk management and governance



MARCH 1999

Guidance on assessing control

Next month we will publish *Guidance on Assessing Control*. For the past two years we have been meeting with many of you, carefully considering your letters and working with a small organization to implement the Guidance. Thank you for your support and your many constructive suggestions. The Guidance is now shorter, clearer and more practical.

What are the benefits of an assessment? Here are two:

- The board, executive management and people at all levels will improve their ability to achieve their objectives and the organization as a whole will be in a better position to achieve its objectives.
- Everyone will have a better understanding of the nature of risk, how risks are identified and assessed, and how well prepared the organization is to deal with the unexpected.

We asked **Keith Hawes**, Chair of the Assessment Task Force, what immediately came to mind as he reflected on completion of this publication. "I am excited about the fact that now any director can request an assessment focused on any specific objective or concern and know that it will be carried out, in accordance with the eight assessment principles, on the organization as a whole, using the CoCo criteria of control."

More on assessing control

Chartered accountants, who fund the CoCo initiative through their membership fees, will receive *Guidance on Assessing Control* automatically. So will anyone else who has a paid subscription to the CoCo series. Others can order the Guidance from the CICA order desk: **(416) 977-0748** (Toronto) or **1-800-268-3793** (rest of Canada); e-mail: orders@cica.ca.

If you are interested in an executive briefing to discuss how an organization can get started and review some of the concerns and dilemmas which are likely to arise, contact **Janice Turner** by telephone **(416) 204-3241** or e-mail: janice.turner@cica.ca.

Also, our thanks go to the Task Force and staff who developed the document:

H. K. Hawes, CA (Chair)
W.A. Bradshaw, FCA
P. Brochu, CA
P. Faiello, CA
V. Murusalu, CA
A.M. O'Donovan, CA
M. Peracha, CMA, FCMA, CIA
D. G. Timmins, CA
R. Turfus, MBA, P. Eng.

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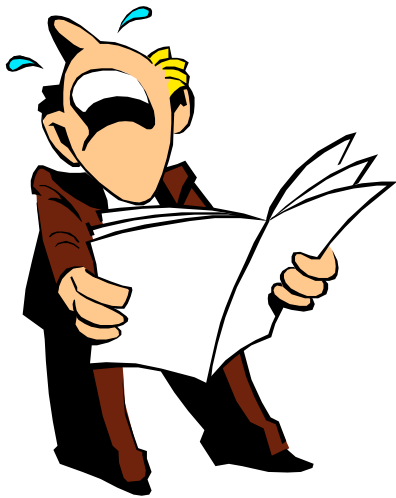
CoCo – the big picture

What do you think?

Some people have a hard time getting their heads around CoCo.

That's because the CoCo approach to control breaks new ground.

For example, its way of looking at organizations incorporates aspects of systems thinking and chaos theory models that go far beyond internal financial controls.



Enclosed with this copy of *Connections* is our first attempt to create some short, easy-to-read material on CoCo. *CoCo – The Big Picture* is a summary of some of the thinking behind CoCo and where to get more information. This is a working draft.

We hope it will help people like you, who know something about CoCo, to understand CoCo better and that it will attract people who haven't started. If you like the approach, we will develop a series of similar publications, each dealing with a specific aspect of CoCo.

We'd like to receive your comments and suggestions. We would appreciate you completing the attached questionnaire and faxing it back to us at (416) 977-8585.

Please show *CoCo – The Big Picture* to your friends, clients and colleagues and get their comments. We're interested in receiving a broad cross-section of opinions.

You may obtain extra copies of *CoCo – The Big Picture* and the questionnaire by

downloading it from our web site (www.cica.ca) or by photocopying the copy you received with *Connections*.

If you'd like to talk to the author, **Hugh Lindsay**, he can be reached at (604) 732-0366 or e-mail: hughl@sfu.ca.



Dealing with risk in the boardroom

Today's directors face an enormous challenge in contributing to sustained organizational success with, in most cases, limited exposure to the organization. In addition, the stewardship of directors will continue to come under the spotlight particularly due to:

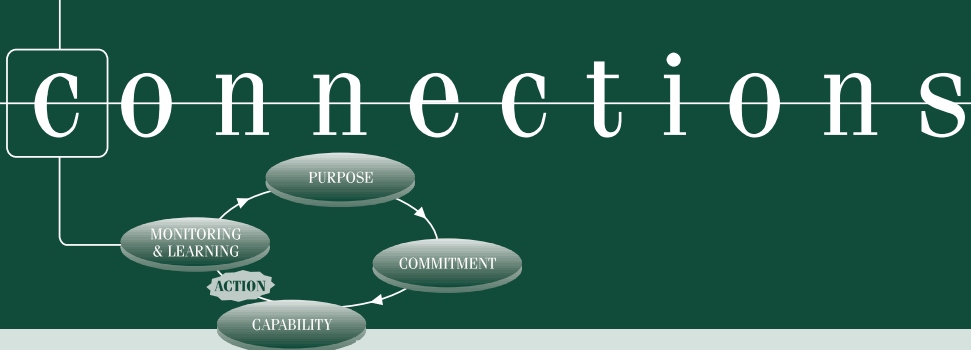
- The spate of recent corporate collapses; and
- The requirements of the Toronto Stock Exchange and the Montreal Exchange that the board of directors explicitly acknowledge its responsibility for identifying the principal risks to the organization and ensuring the implementation of appropriate systems to manage them.

Through its Directors Advisory Group, the Criteria of Control Board is developing an overview of actions that directors and senior executives can take to manage risk. The overview will explain how an assessment of control provides them with information that is helpful in meeting their responsibilities. It will also include an overview of the assessment guidance and explain their role in the assessment process.

Watch the web site for news of this publication.

Don't forget the web site as a source of CoCo news

www.cica.ca



Local forums

If you wish to contact our local forum leaders regarding upcoming local forums, refer to the contacts listed below.

Toronto

Financial

Greg Armstrong, phone: (416) 980-5418, e-mail: gregory.armstrong@cibc.com or

Ella Kila, phone: (416) 304-4283, e-mail: ella.kila@cibc.com

Non-Financial

Roger Merkosky, phone: (416) 361-5166, e-mail: roger.merkosky@labatt.com or

Chris Scammell, phone: (416) 756-8507, e-mail: cscammell@cclind.com

Vancouver

Keith Hawes, phone: (604) 948-9727

Calgary & Saskatchewan

Murray Wolfe, phone: (403) 319-7516, e-mail: Murray_Wolfe@cpr.ca

Winnipeg

Loyal Hull, phone: (204) 256-6516

Edmonton

Fred Dunn, phone: (780) 441-6846, e-mail: fred.j.dunn@ca.pwcglobal.com

Risk in Ottawa

In January 1998, Treasury Board President **Marcel Massé** announced that the federal government had committed itself to making comptrollership a core responsibility of every manager in the public service. To provide direction and impetus to this modernization effort, a Comptrollership Modernization Office was established in the Treasury Board Secretariat (TBS). Additional information can be obtained at www.tbs-sct.gc.ca (under TBS sub-sites, Comptrollership Crossroads).

To address risk management issues, TBS has approved an Action Plan to Develop Integrated Policy Guidance on Risk Management in the Federal Public Service.

TBS has begun to implement its Action Plan, including a study on best practices and another study on the principles for managing risk in the public sector. Additional information on this Action Plan can be obtained at www.tbs-sct.gc.ca (under Policies and Publications, Management of Risk).

Colin Wiltshire of Performance Management Network has established the Ottawa Risk Management Forum. It provides a means for groups from both the public and private sectors to share information on parallel and unique risk management initiatives. For more information contact Colin at (613) 236-2320 or colin@pmn.net.

Saskatchewan backs CoCo

On December 2, 1998, **Wayne Strelieff**, Saskatchewan's Provincial Auditor, issued Volume 2 of his 1998 Fall Report. Chapter 1, "Control Helps Achieve Results", discusses why the Provincial Auditor is exploring the CoCo principles to help improve his Office's performance. "We think using CoCo's control framework would provide a better means of integrating a broad concept of control into our audit approach and managing our Office."

Strelieff sees CoCo's control model offering several benefits including a comprehensive framework for reviewing government operations, a common language for communications about control and a commitment by the CICA to an ongoing program to provide guidance.

For over 15 years, Saskatchewan's Provincial Auditor has been reporting on control in government organizations to the Assembly, to the Government and to its managers. Strelieff is looking for ways to improve what and how his Office reports. "We are exploring how CoCo's control framework and other guidance will help us direct our work and reports to the relevant control and governance issues faced by the Government and its managers."

Because government officials and managers have primary responsibility for control in their organizations, the Fall Report also encourages them to consider CoCo's guidance on control, risk and governance. "Understanding and using CoCo's guidance should help them achieve their objectives."

Strelieff also knows effective control is essential to the success of his Office. "We are beginning to use CoCo's guidance to identify and assess the risks related to our significant objectives. We are also beginning to use CoCo's guidance to examine the control elements and control activities that

we use to mitigate those risks." Strelieff firmly believes that achieving his Office's goals efficiently and effectively helps maintain the Assembly's and the public's confidence in his Office. The Provincial Auditor's report is available online at www.auditor.sk.ca.

About volunteers and staff

Directors advisory group

This group provides advice to the CoCo initiative from a boardroom perspective. Its members, listed below, are all very experienced directors.

James Bailie, Q.C.
Roy Bennett, FCA
Purdy Crawford
Claude Fontaine, Q.C.
James Gillies, Ph.D
Robin Korthals
Patrick O'Callaghan
Guylaine Saucier, CM, FCA

CoCo staff

Joining the staff team is **Vivienne Livick-Chan**, FCA. Vivienne will be based in Montreal, where she is well known as the former director of the Department of Chartered Accountancy and Graduate Administrative Studies at McGill University

Patricia Faiello has decided to move on to pursue an opportunity elsewhere. We appreciate the contribution Patricia has made, especially on the Assessment project, over the past year.

CoCo director speaks out

On November 24, 1998, Peter Jackson spoke to the Institute of Corporate Directors on the subject of the board's responsibility for risk. Peter emphasized that directors are a critical part of the company's risk management system. It is not enough for a board to review a report on known risks that may indeed invite a false sense of security. The biggest risk of all is complacency.

Peter introduced the concept of risk-worthiness to describe the process of looking at an organization's ability to anticipate, identify and deal with risk in the future.

The starting point is to understand how the organization works drawing on the eight principles described in CoCo's latest publication *Guidance on Assessing Control*. The role of the board in conducting such an assessment is crucial, but directors' greatest ally is their intuition. How else can directors judge the calibre of the CEO and other executives? How else do directors know whether to trust what they are being told? This may well include seeking out the "naïve" questions and the "unspeakable" challenges to accepted wisdom.

Also of interest is Peter's article on whistleblowing, which will appear in the April edition of CAMagazine.

From the bookshelf

Edgware – insights from complexity science for health care leaders, Brenda Zimmerman, Curt Lindberg, Paul Plsek, VHA Inc., Irving Texas (1998), available through Amazon.com or by phone (800) 931-0053.

"Must an approach to complexity be complex?" The answer is no, as you will discover from reading how managers in U.S. health care organizations are using complexity science to discover new ways of working.

Some people really want to stop controlling, but are afraid. If complexity theory can do nothing more than begin freeing managers from the myth of control, they will be a lot more comfortable. But will organizations have effective control? Will they be successful in meeting their objectives? Will they be successful in meeting their objectives if they don't change their ways of thinking and exercising control?

This is a practical book with numerous fascinating stories, representing some of the first efforts to tap into research done to date. It includes a section describing nine emerging and connected principles. "Wicked questions" and "minimum specifications" are just two of the subjects explored in the section on aides to complexity. Students of control will find the annotated bibliography invaluable.

Brenda Zimmerman is a professor in the Schulich School of Business, York University in Toronto. She is a well-known speaker and author on strategic planning and chaos theory. She was a member of the first CoCo Board,

playing a key role in the development of our first "gold book" *Guidance on Control* which was published in 1995.

The Hungry Spirit by Charles Handy (*Broadway Books*)

Many of us are confused by the world we have created for ourselves, says management guru Handy. The rich pile up riches they can never use while the poor go hungry. If we do not make changes to our voracious consumerism, then in the year 2099 we will be consuming sixteen times as much as today. In our hearts, he argues, we would like to find a purpose bigger than ourselves because that will raise us to heights we had not dreamt of.

This book is subtitled "the quest for purpose in the modern world". It suggests changes that we will need to make in ourselves, our organizations, our government and our economic system. Handy ranges over 2,500 years of philosophy to find practical suggestions about rooting ourselves in purpose, beliefs and trusting relationships.

It is a disturbing, provocative read. It offers helpful insights into topics addressed in CoCo, like the importance of purpose, beliefs and trust, and the interconnectedness of human beings with each other and with natural systems.

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FEEDBACK

Copies of *Connections* can be obtained: off the CICA web site at www.cica.ca; by e-mailing janice.turner@cica.ca; or by calling Janice Turner (416) 204-3241. If you have any comments on the newsletter, please fax them to Janice Turner at (416) 977-8585 or e-mail her at the above address.

Peter D. Jackson, CA

Director, Criteria of Control
The Canadian Institute of
Chartered Accountants
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Toronto, Ontario, M5V 3H2

I am interested in contributing to the newsletter and would like someone to contact me.

I would like to receive a hard copy of *Connections* on a regular basis.

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