

AU 3.9

# Implementing an Integrated City-wide Risk Management Framework

Presentation to the Audit Committee

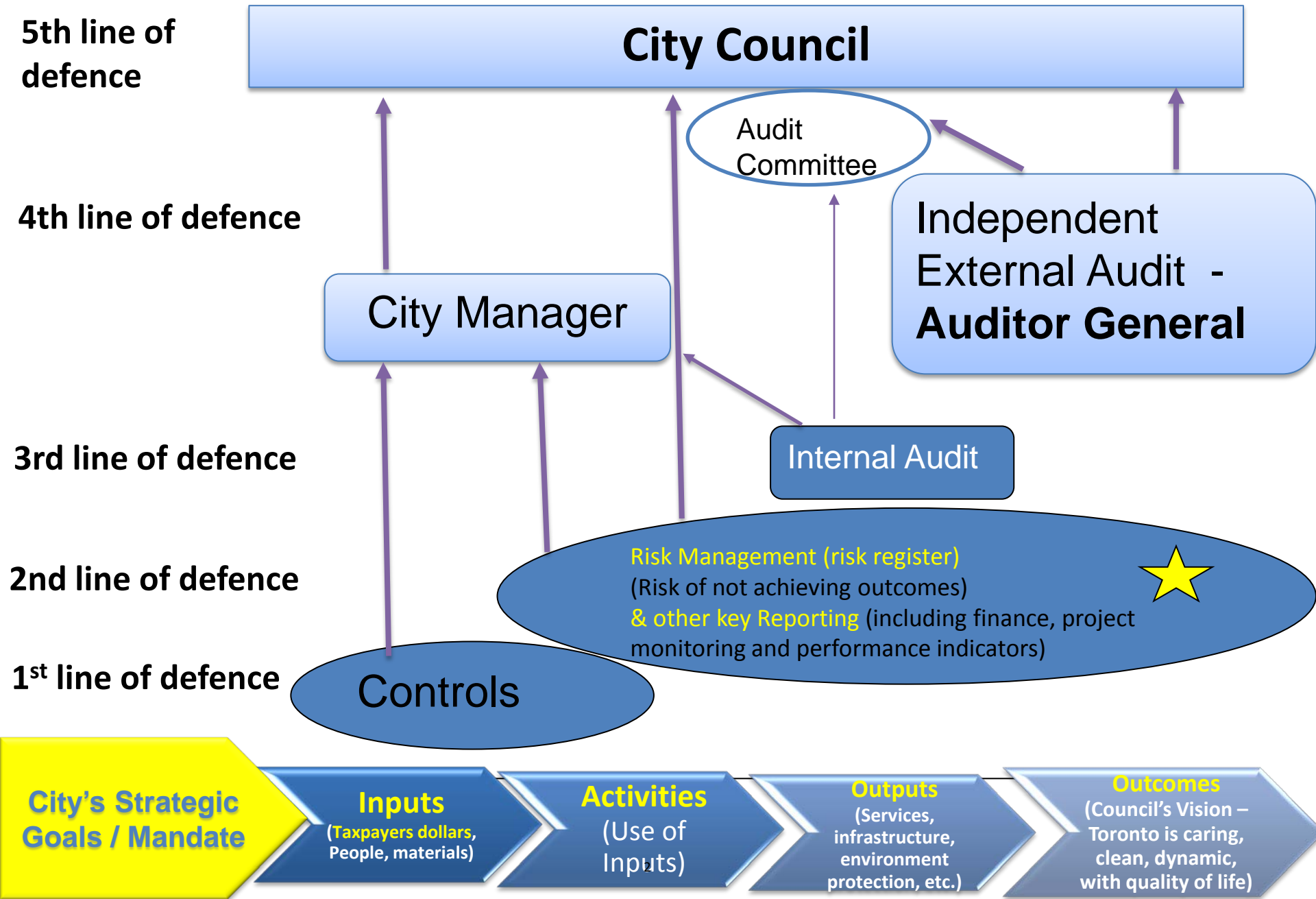
**Beverly Romeo-Beehler**

Auditor General

June 26, 2015

Ina Chan  
Senior Audit Manager

# Governance / Stewardship over Taxpayers Dollars





# Why is City-wide Risk Management Framework Important?

- ❖ Financial control & **risk management is central** to managing an organization effectively
- ❖ **Risk Management contributes** to organization's ability to safeguard assets, use resources economically & efficiently and produce accurate and reliable financial information

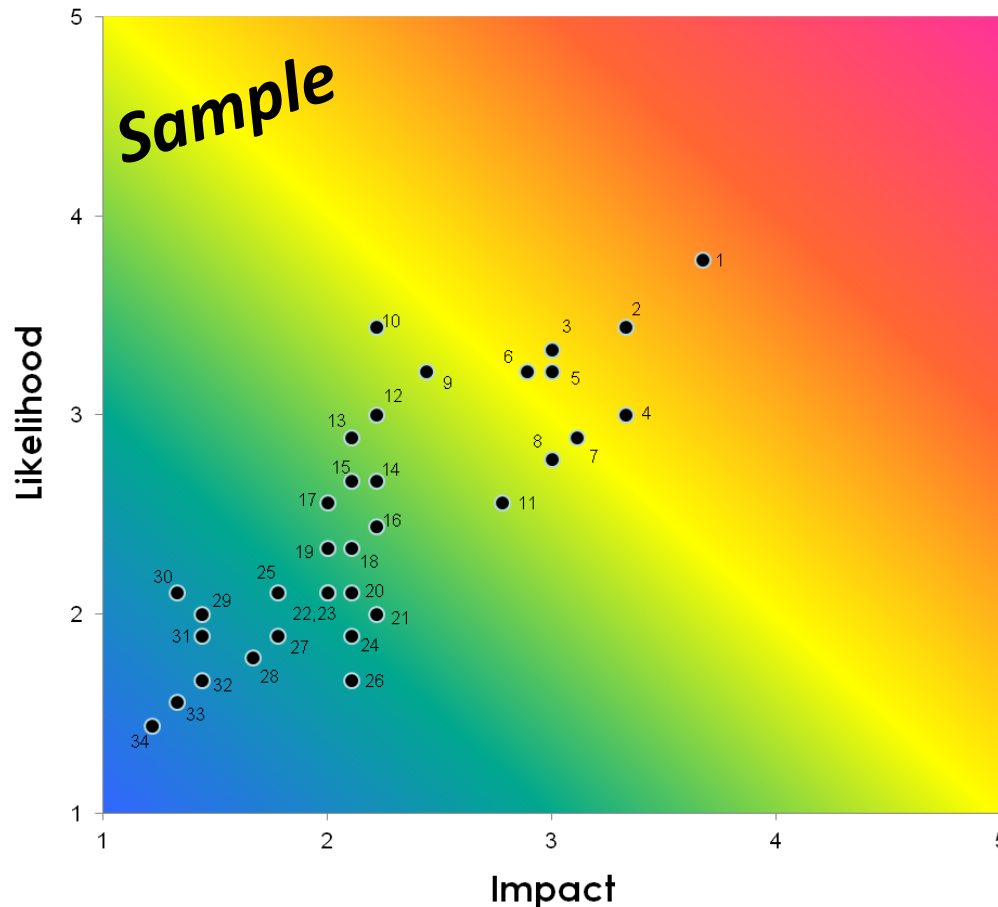


# Why is City-wide Risk Management Framework Important?

- ❖ A **“risk”** is **likelihood** and **impact** of a future event impacting the **achievement of the organization’s objectives** and **performance** in a cost-effective manner
- ❖ Good risk management results in **managing negative risks** and **leveraging opportunities** to ensure value for money is achieved.
- ❖ Risks include:
  - Operational, Strategic, Reputational, Financial, Environmental & Legal/Compliance

# THE KEY?

Identifying & prioritizing risks based on the likelihood and the impact of opportunities and threats



Risk	Risk
Asset Integrity	Information Technology
Asset Security	Internal Communications
Brand & Reputation	Leadership
Business Interruption	Legal
Business Model	Management or Employee Fraud
Capacity Mgmt & Utilization	Planning
Change Readiness	Process Efficiency & Effectiveness
Contract Performance Mgmt	Project Execution
Counter-party Default	Public Safety
Cyber Security	Regulatory
Economic	Resource Management
Employee Health & Safety	Risk Management & Governance
Environmental	Shareholder & Government
Environmental Scan	Stakeholder Management
Financial Management	Strategic Alliance
Financial Reporting	Tax
Funding	
Information Management	

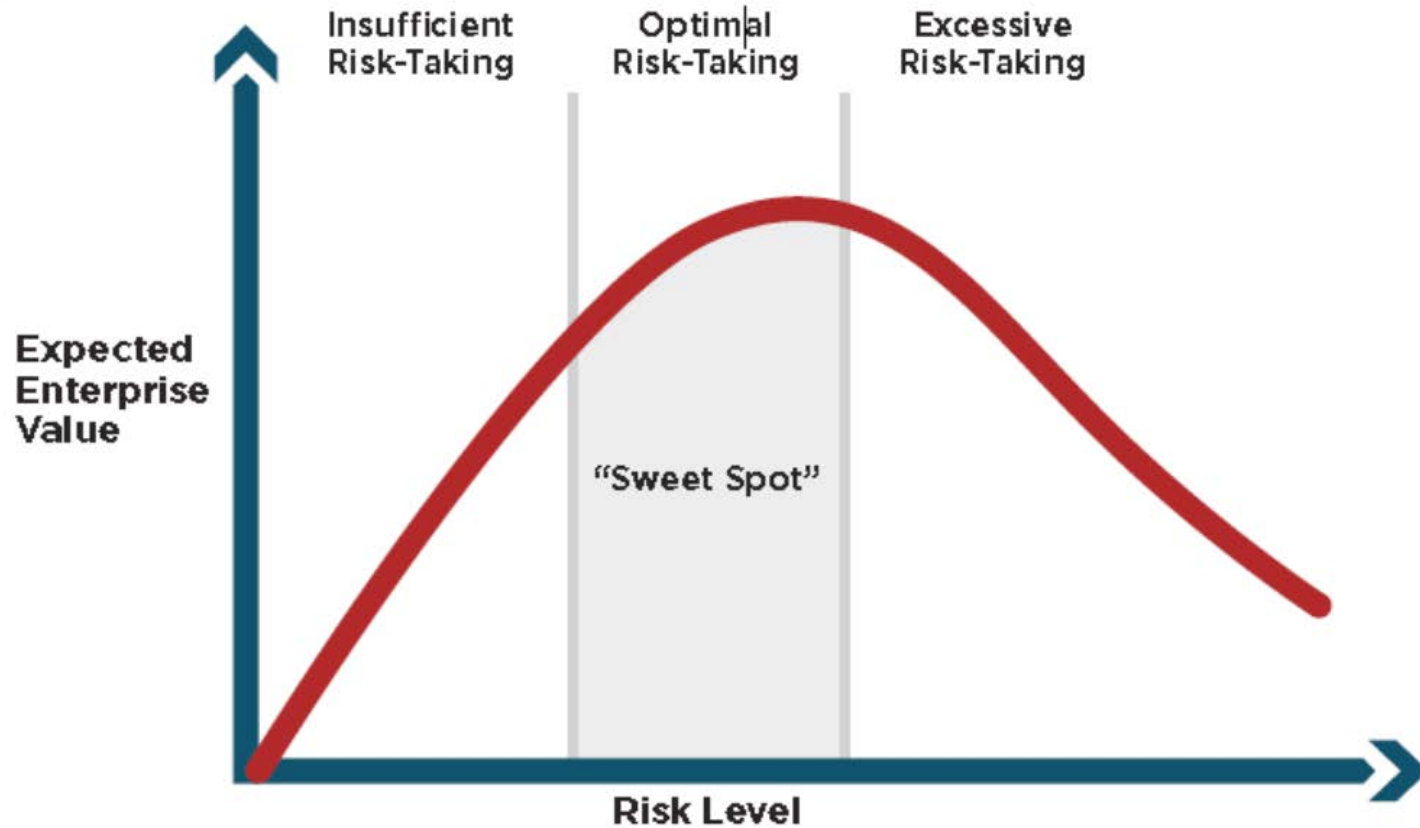
Draft 'Heat map' for demonstration purposes only  
 – **Complements of Toronto Hydro**







# Optimal Risk Taking & Costs of Risk





## Why Implement a City-wide Risk Management Framework?

*“A sound and systematic approach to risk management **distinguishes managing effectively from merely coping.”***

*Auditor General of Canada 2003*

It is “not only **vital to managing resources** more efficiently and making better decisions, but **ultimately it will contribute to making the public service more effective**”.

*Auditor General of Canada 2003*

# What's in place?

## What is happening now?

1. **16 out of 58** City divisions, departments, agencies and corporations have formal risk assessment processes
2. City divisions manage the following **corporate risks** :
  1. Major issues with City's financial position that impact City's long term financial achievement
  2. Exposures to accidental losses
  3. Hazard identification - Emergency Management Plan
  4. Threat assessment for Corporate Security
  5. Threat & Vulnerability assessments of City's Info & Tech infrastructure
3. Annual budgeting process identifies key challenges and priority actions.

See Appendix 3 of the report

## Opportunities

- ❖ **Make it City-wide**
- ❖ **Implement consistent framework**
  - Common scale for impact and likelihood
- ❖ **Integrate risks**
  - Use a dashboard for ease of use by City Mgt & Council
  - Consistent outputs
  - Risk registers





# How is the City doing?

- ❖ Overall, the City is lagging behind in its approach to Risk Management when compared to other public and private sector organizations at all three levels of government.

## **Municipal:**

- City of Burlington
- City of Calgary
- City of Edmonton
- City of Guelph
- City of Ottawa
- City of Vancouver
- City of Windsor

## **Provincial:**

- Alberta
- Ontario
- British Columbia

## **Federal**

Mostly in place



# Recommendations ....

## Consider:

- a) **an appropriate corporate Enterprise-wide Risk Management (ERM) policy** and/or enterprise-wide framework for an integrated approach to managing risk across the City
  
- b) **the appropriate resources, tools, and job aids** to be made available to divisions, agencies, and corporations, to support a common and consistent understanding of risk management processes and practices
  
- c) **the appropriate mechanisms for tracking and monitoring risks** and to report on significant risks to City Council and/or appropriate committee of Council.

# Overview of Toronto Hydro's ERM journey... It doesn't happen overnight...

