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

City Council

5th line of defence

4th line of defence

3rd line of defence

2nd line of defence

1st line of defence

Controls

City Manager

Audit Committee

Independent External Audit - Auditor General

Risk Management (risk register)
(Risk of not achieving outcomes)
& other key Reporting (including finance, project monitoring and performance indicators)

City’s Strategic Goals / Mandate

Inputs
(Taxpayers dollars, People, materials)

Activities
(Use of Inputs)

Outputs
(Services, infrastructure, environment protection, etc.)

Outcomes
(Council’s Vision – Toronto is caring, clean, dynamic, with quality of life)
Implementing an Integrated City-wide Risk Management Framework

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.
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
Implementing an Integrated City-wide Risk Management Framework

THE KEY?

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

**Draft ‘Heat map’ for demonstration purposes only** – Complements of Toronto Hydro
Implementing an Integrated City-wide Risk Management Framework
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.

<table>
<thead>
<tr>
<th>Municipal:</th>
<th>Provincial:</th>
<th>Federal</th>
</tr>
</thead>
<tbody>
<tr>
<td>City of Burlington</td>
<td>Alberta</td>
<td>Mostly in place</td>
</tr>
<tr>
<td>City of Calgary</td>
<td>Ontario</td>
<td></td>
</tr>
<tr>
<td>City of Edmonton</td>
<td>British Columbia</td>
<td></td>
</tr>
<tr>
<td>City of Guelph</td>
<td></td>
<td></td>
</tr>
<tr>
<td>City of Ottawa</td>
<td></td>
<td></td>
</tr>
<tr>
<td>City of Vancouver</td>
<td></td>
<td></td>
</tr>
<tr>
<td>City of Windsor</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
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…

- Risk Universe
- Risk Governance
- ERM Gap Analysis
- Risk Policy & Appetite
- Risk Ownership
- Adoption of ISO 31000
- Review of Risk Appetite
- 1st ERM Health Check
- Regular Risk Reporting
- Dashboard Reporting
- Key Risk Indicators
- 2nd ERM Health Check

Board Decision on ERM

2009 2010 2011 2012 2013

Implementing an Integrated City-wide Risk Management Framework

Roadmap provided for demonstration purposes – Complements on Toronto Hydro