



CORPORATE RISK

2016 ANNUAL REPORT



“The City of Saskatoon, like all municipal governments, faces many types of risk, including strategic, operational, financial and compliance risks that, if not effectively managed, can impede the successful delivery of services and achievement of goals and objectives.

We are committed to ongoing enhancement of intelligent risk performance in all areas of our operations, ensuring continuous improvement in the way the City is managed, as well as continued growth in public confidence in the City’s performance.”

- **Murray Totland**, City Manager
Chair, Corporate Risk Committee

CONTENTS

Executive Summary	1	3 Accomplishments in 2015/2016	7
1 Introduction	2	4 Strategic Risks - At A Glance	8
2 Risk-Based Management Program	3	5 Objectives for 2017	19
2.1 Principles	4	Appendix 1	
2.2 Framework	5	Corporate Risk Infographic	20
2.3 Process	6		

EXECUTIVE SUMMARY

The City of Saskatoon's Risk-Based Management Program was established in August 2014 in order to provide "a systematic, proactive and ongoing process to understand and manage risk, and to communicate risk information throughout the City, which contributes positively to the achievement of corporate objectives." Since that time, many foundational initiatives have been undertaken to improve understanding and embed risk management into the organization's culture.

Through the Corporate Risk Committee, the Administration has dedicated significant effort to fully understanding and analyzing each strategic risk, assessing how likely each risk is to occur, determining what the impact would be if it did occur, identifying what is currently being done to manage the risk and determining what more is required to bring that risk down to an acceptable level.

This understanding and analysis has allowed the City to make significant progress in managing its key strategic risks. Of the 23 risks identified in the strategic risk assessment, current risk management activities have decreased the severity of 11 risks from high (i.e. high likelihood, high impact) to medium (i.e. medium likelihood, medium impact), with 3 risks now residing within their target zone.



Even with this improvement, additional work remains to be done. Over the coming year, the Administration will continue to focus on identifying and understanding its risks more fully, and pursuing implementation of those planned mitigation strategies that will move the organization closer to achieving its targets.

1 INTRODUCTION

The City of Saskatoon provides the infrastructure and delivers key programs and services necessary to improve the city's high quality of life. Many of these are essential services that citizens rely on every day, including:

- roads, bridges, pathways and public transit to move people;
- Police, Bylaw and Fire services to keep citizens safe;
- parks, waste management and drainage systems to keep neighbourhoods clean and healthy; and
- social programs and leisure activities that make Saskatoon a great place to live, work and visit.

This diversity of activity creates an equally diverse and complex range of risks as well as a wealth of opportunities for the City. Understanding and managing the risks associated with these activities and making the most of new opportunities is challenging and critical to preserving and protecting the City's reputation and resources.

The City recognizes that risk management is an integral part of a good governance structure and best management practice. Effectively managing risk helps support continuous improvement in the way the City is managed, as well as continued growth in public confidence in the City's performance.

Through Council Policy No. C02-040, Corporate Governance – Risk-Based Management (the Policy), the City has adopted the risk management methodology as set out in the International Standard ISO 31000 *Risk Management – Principles and Guidelines* (ISO 31000). The Policy affirms the City's strategic commitment to building a risk management culture in which risks are identified and managed effectively.

Established in August 2014, the Policy objectives of the City's Risk-Based Management (RBM) Program are to "...embed into corporate operations and reporting a systematic, proactive and ongoing process to understand and manage risk and uncertainty, and to communicate risk information throughout the City..."

As described in the body of this report, significant progress has been made in achieving the objectives of the RBM Program, with further advances planned for 2017 and beyond.

RBM Program Vision

We know what our risks are and we are accountable to actively manage them

2 RISK-BASED MANAGEMENT PROGRAM

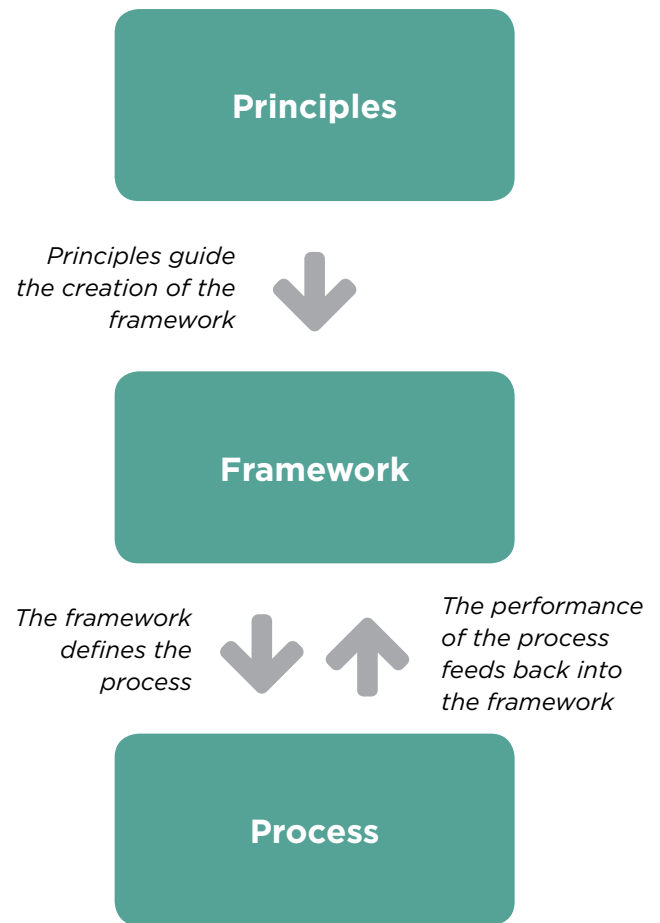
The City faces a variety of challenging natural, political, financial, environmental and cultural influences that make its operating environment uncertain. These influences may impact on the extent to which corporate objectives can be met.

The effect such uncertainty has on the City's objectives is known as "risk."

The City has adopted the risk management methodology as set out in ISO 31000. As shown in Figure 2.1, the ISO 31000 risk management methodology has the following three components:

- a set of **Principles** for guiding and informing an effective risk management program;
- a **Framework** that provides the foundations that will embed risk management throughout the organization; and
- a **Process** that supports the development and implementation of activities to assess, treat, monitor and review risk.

FIGURE 2.1: COMPONENTS OF ISO 31000 RISK MANAGEMENT METHODOLOGY



Risk

The chance of something happening that will have an effect on our ability to achieve our objectives

2.1 PRINCIPLES

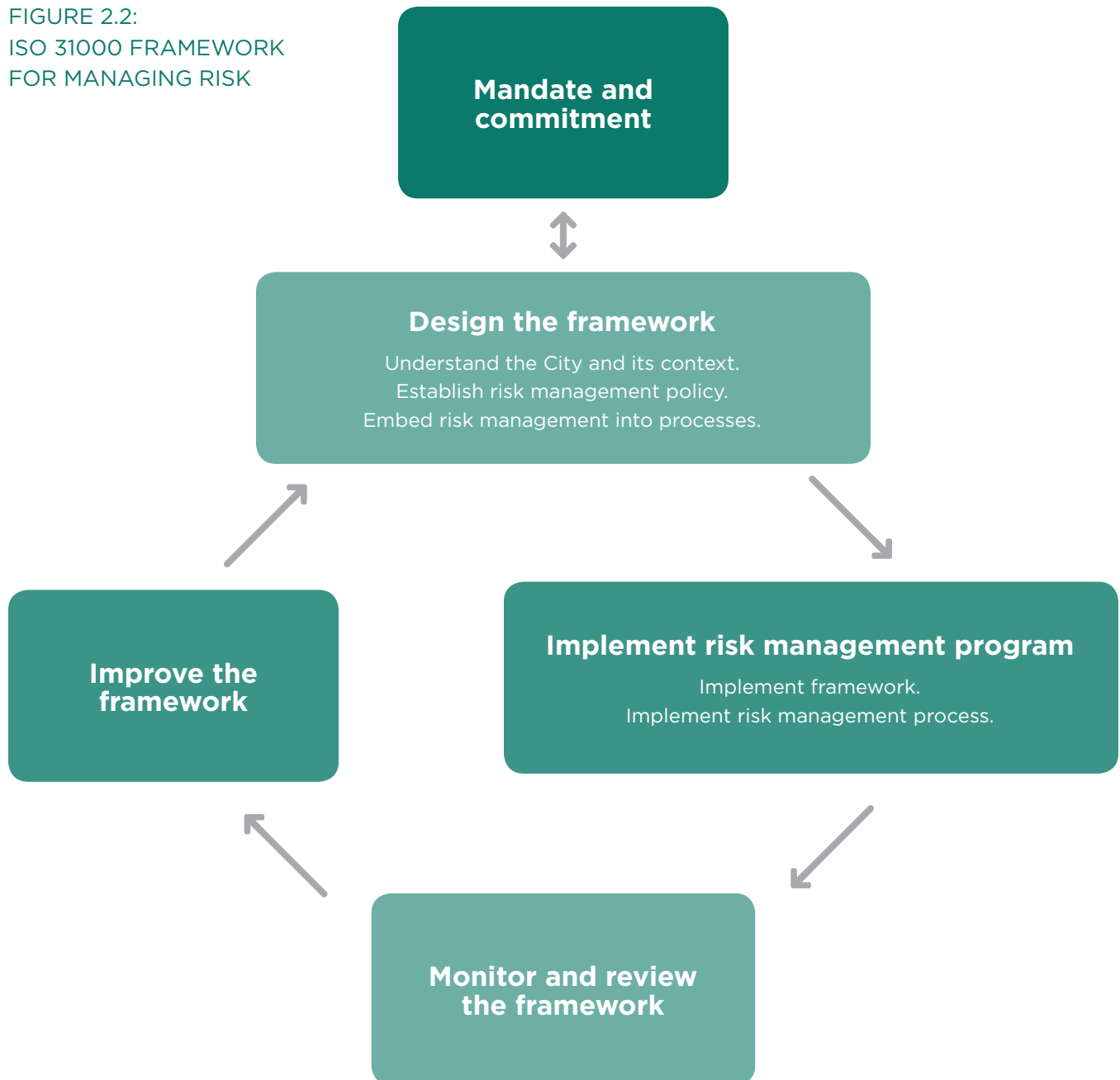
The City's RBM Program will:

- **Create and protect value** to help the City achieve its objectives and improve its performance.
- Be an **integral part of activities and processes**, including strategic and business planning, project management and change management.
- Be **part of decision making** as every decision made has an element of risk. Effective risk management can help make informed choices, prioritize actions and select between alternative options.
- Deal explicitly with the **uncertainties** inherent in all civic activities.
- Be **systematic, structured and timely** to facilitate repeatable, consistent, comparable and reliable outcomes.
- Be **based on best available information** with inputs to the risk management process drawing on historical data, experience, feedback, observation, forecasts or expert judgment. Assumptions must be stated clearly.
- Be **tailored** to the City and consider its objectives, capabilities, the environment in which it operates and the risks faced.
- Consider **human and cultural factors** by recognizing the perceptions and intentions of internal and external stakeholders, including staff members' capabilities and attitudes towards risk management.
- Be **transparent and inclusive** about how risk is identified and assessed, how decisions are reached and how risks are treated. The Administration and City Council (through the Standing Policy Committee on Finance) will be regularly consulted to ensure they have an opportunity to provide input into the criteria used to evaluate the effectiveness of the risk management process.
- Be **dynamic and responsive** as the internal and external environments in which the City operates change. These environments need to be monitored to determine which risks are still relevant and to identify any new and emerging risks. The City's risk management framework and processes need to be responsive to change.
- Facilitate the City's **continuous improvement and enhancement** through regular reviews of, and improvements to, the risk management framework and processes.

2.2 FRAMEWORK

The success of the City's RBM Program will depend on the framework that provides the foundation for embedding it throughout the organization at all levels.

FIGURE 2.2:
ISO 31000 FRAMEWORK
FOR MANAGING RISK

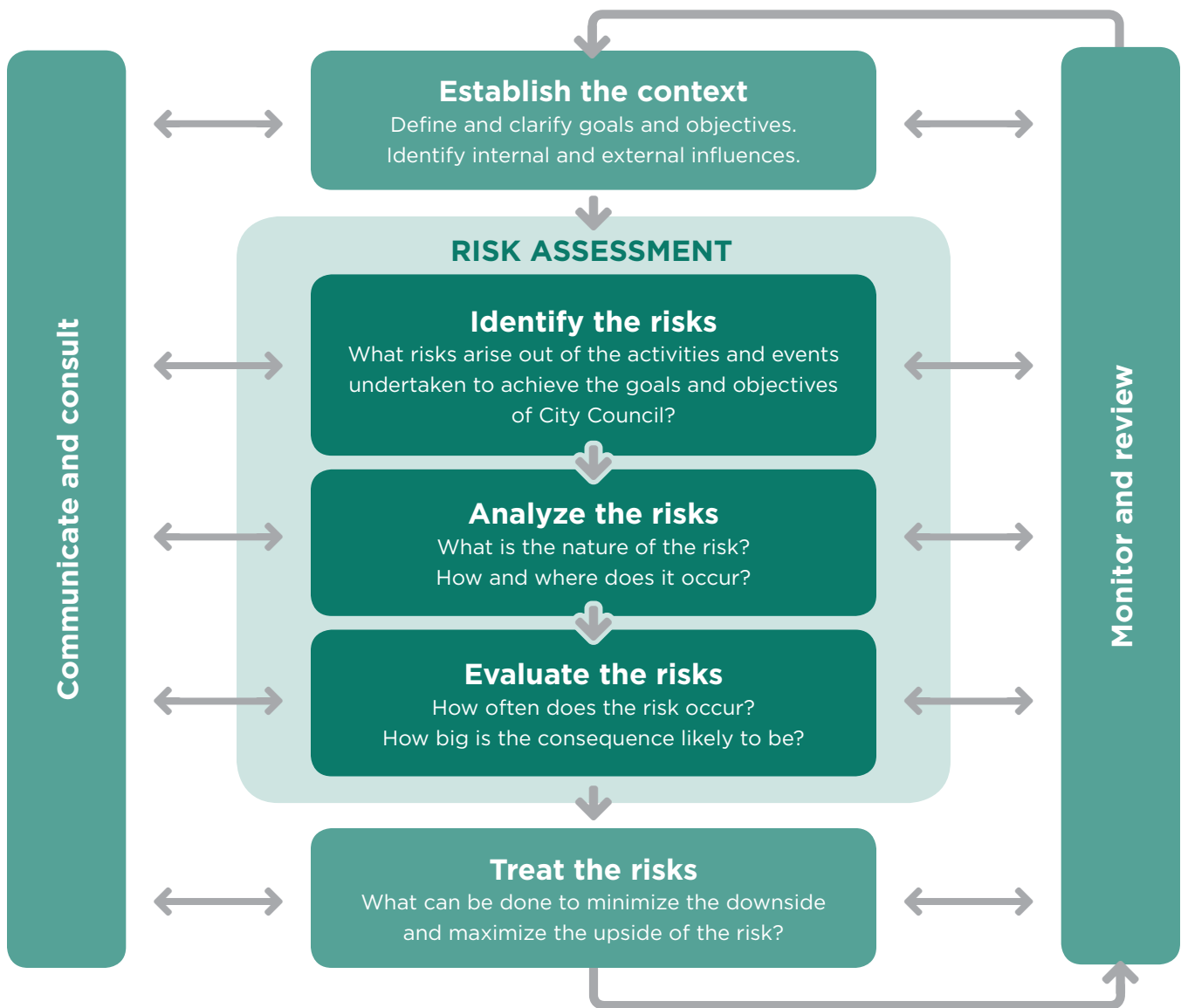


2.3 PROCESS

The City's RBM process can be summarized as follows:

The City manages risk by *identifying* it, *analyzing* it and then *evaluating* whether the risk should be modified by risk *treatment* in order to satisfy our risk criteria. Throughout this process, we *communicate* and *consult* with stakeholders and *monitor and review* the risk and the controls that are modifying the risk in order to ensure that no further risk treatment is required.

FIGURE 2.3: ISO 31000
RISK MANAGEMENT PROCESS



3 ACCOMPLISHMENTS IN 2015/2016

Since the RBM Program was established in August 2014, efforts have been focused on establishing the foundational elements of the RBM Program, undergoing a strategic risk assessment and engaging in corporate outreach activities.

Embed into corporate operations and reporting a systematic, proactive and ongoing process to understand and manage risk and uncertainty.

- The **Risk Based Management Policy** was approved by City Council, formalizing the City's objectives for, and commitment to, risk management.
- The **Corporate Risk Committee**, a key component of the overall risk governance structure and comprised of leaders within the organization, was established.
- A **Strategic Risk Assessment**, that identified and prioritized the City's strategic risks, was conducted by PricewaterhouseCoopers (PwC).
- The **Internal Audit Plan** was developed based on the priorities identified in the Strategic Risk Assessment.
- **Risk Registers** were prepared addressing all "high" and "medium" priority strategic risks.
- Nine **risk reviews** of new/proposed programs, existing programs, special events and procurement decisions were performed, at the request of civic management and staff.
- An **operational risk assessment** of the City's snow management facilities has been initiated by civic management.

Communicate risk information throughout the City.

- Key challenges and risks have been incorporated into the **Business Plan and Budgeting** process.
- The Corporate Risk Management **webpage** was launched.
- The Corporate Risk Division has been involved in the development of key **corporate initiatives**, including a Power Outage Protocol and a Corporate Security Plan.
- Several **guidance documents** have been prepared to improve understanding and application of risk concepts throughout the organization, with more to follow.
- The City Council Orientation and the Administration's Fall Leadership Forum **Trade Shows** provided an opportunity to introduce risk to our elected officials and 480 colleagues in an easy to understand and engaging way (see Appendix 1 for the Corporate Risk infographic).

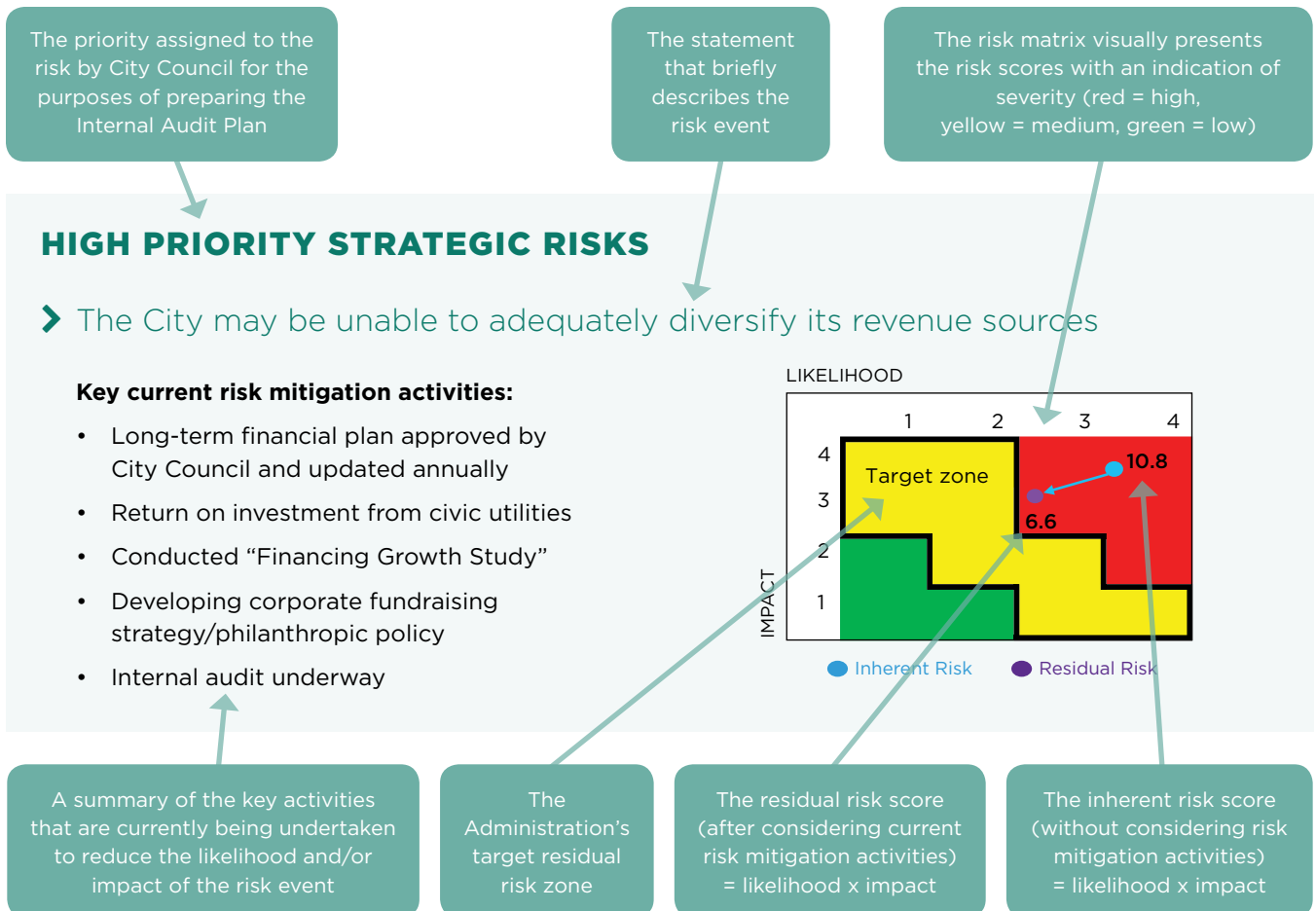
4 STRATEGIC RISKS - AT A GLANCE

The strategic risk assessment that was conducted by PwC in 2015 resulted in the identification of several strategic risks. These strategic risks were prioritized by City Council in order to guide the Internal Audit Plan, and were scored by the Corporate Risk Committee in terms of:

- **Likelihood:** the probability of the risk event occurring, measured on a scale of 1 (rare) to 4 (very likely); and
- **Impact:** the effect if the risk event does occur, measured on a scale of 1 (negligible) to 4 (critical).

The scoring of the risks was performed on both an inherent basis (without considering the effect of controls) and residual basis (after taking into account current risk mitigation activities). As outlined in Figure 4.1 below, the decrease from the inherent risk score (e.g. 10.8) to the residual risk score (e.g. 6.6) is the impact that can be attributed to current risk mitigation activities.

FIGURE 4.1: GUIDE TO UNDERSTANDING THE STRATEGIC RISK SUMMARY



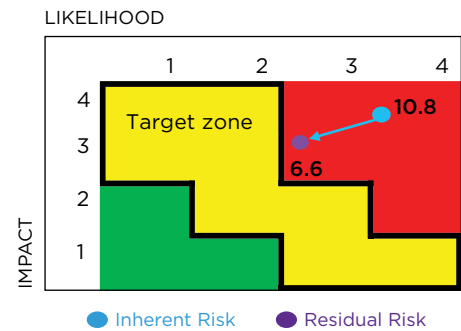
As summarized in the following tables, many activities are currently being undertaken to reduce the likelihood and/or impact of the City's strategic risks. These tables are current snapshots of the risk levels with mitigation activities (residual) compared to the risk levels if these activities were not initiated (inherent).

HIGH PRIORITY STRATEGIC RISKS

➤ The City may be unable to adequately diversify its revenue sources

Key current risk mitigation activities:

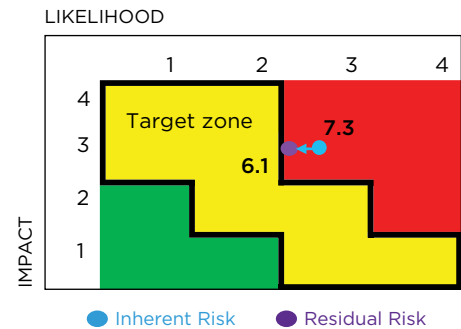
- Long-term financial plan approved by City Council and updated annually
- Return on investment from civic utilities
- Conducted "Financing Growth Study"
- Developing corporate fundraising strategy/philanthropic policy
- Internal audit underway



➤ The City may not be investing enough money in its transportation infrastructure to maintain an acceptable condition and level of service

Key current risk mitigation activities:

- Ongoing monitoring and reporting of infrastructure condition, by type and class
- Asset management plans prepared
- Internal audits completed for Roadways Maintenance and Snow & Ice Management
- Increased funding levels
- Financial management strategies developed
- Winter maintenance levels of service approved by City Council and monitored on an ongoing basis

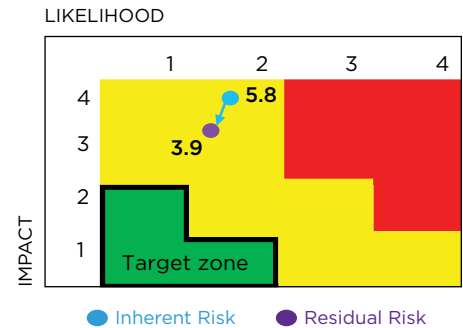


HIGH PRIORITY STRATEGIC RISKS (CONT.)

- The City may not be prepared to quickly and effectively resume operations in the event of serious incident, accident, disaster or emergency

Key current risk mitigation activities:

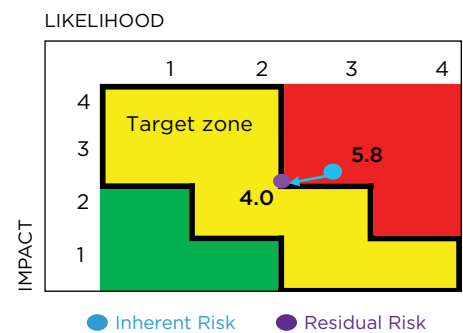
- Emergency Operations Center established
- Mass notification system implemented and periodically tested
- Security assessments completed at four civic facilities
- Corporate Security Plan being implemented



- The City's engagement and communications initiatives and opportunities may not be effectively reaching its citizens

Key current risk mitigation activities:

- New website launched
- Implemented internet publishing and electronic agenda systems
- Launched Service Saskatoon
- Created Citizen Advisory Panel
- Piloted citizen service satisfaction survey process, 3rd party online citizen budget tool and other new approaches to engagement

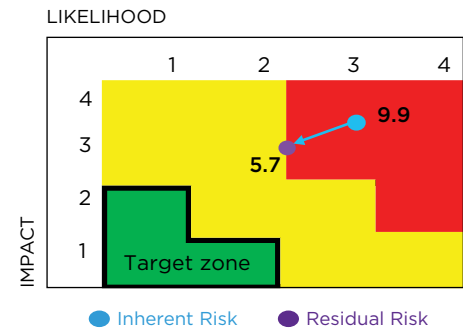


MEDIUM PRIORITY STRATEGIC RISKS

➤ The City may not be considering the total costs of asset ownership when making investment decisions

Key current risk mitigation activities:

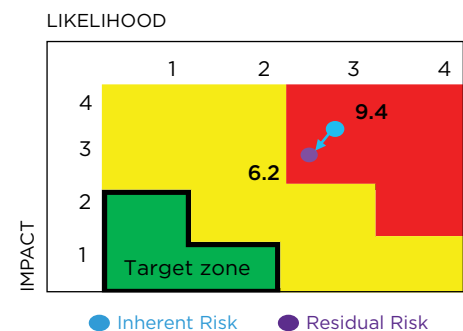
- Unit costing initiatives being undertaken in certain areas (e.g. parks, roadways, fleet)
- Life cycle costing methodology being applied to all P3 projects
- Internal audit underway



➤ The City’s infrastructure investments may not correspond to growth trends and forecasts for the local or regional economy

Key current risk mitigation activities:

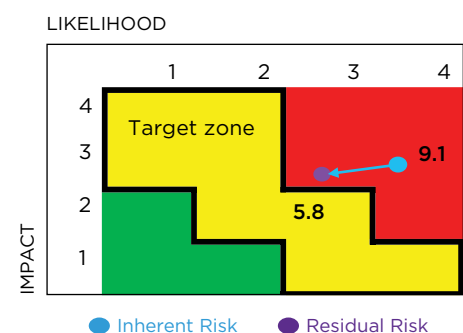
- Growth Plan to Half a Million approved by City Council
- Frequent and ongoing monitoring of market conditions, economic indicators and financial resources
- Long-term infrastructure plans developed and funding commitments secured
- Regional plans, concept plans and community plans developed



➤ The City may not be investing enough money in its public transit infrastructure to maintain an acceptable level of service

Key current risk mitigation activities:

- Long-term transit plan, fleet renewal strategy and asset management plan approved by City Council
- Infrastructure funding secured
- Intelligent Transportation System (ITS) implemented
- New website and real-time mapping launched
- Internal audit underway

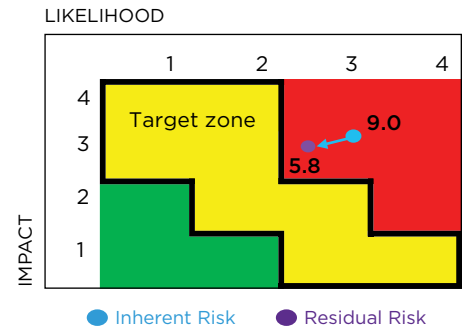


MEDIUM PRIORITY STRATEGIC RISKS (CONT.)

- The City's waste and recycling services may not be meeting customer service delivery and environmental stewardship expectations

Key current risk mitigation activities:

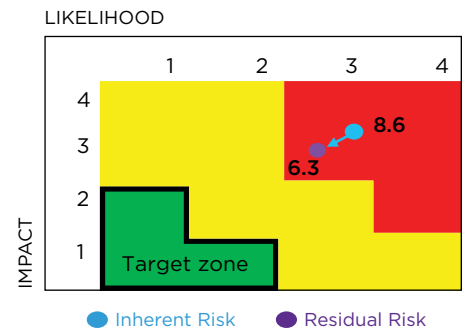
- Convenient and easy to use waste diversion programs have been launched
- Green Cart program expanded to accept food waste; subscriptions have also increased
- Recovery Park business case developed
- Implemented route optimization process
- Comprehensive community-wide waste study completed



- The City may be using outdated or unsupported software and/or hardware that may fail

Key current risk mitigation activities:

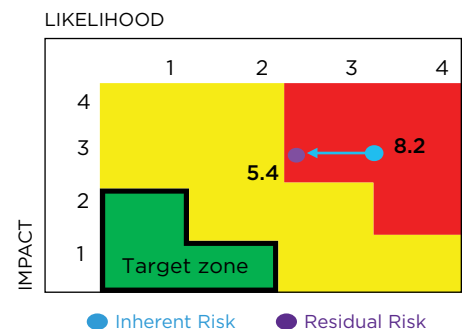
- Full assessment of the IT infrastructure is in progress
- Asset management plan being developed
- Opportunity assessment process introduced
- Corporate-wide sustainability review being undertaken



- The City's information technology strategy may not be properly aligned with the organization's goals and objectives

Key current risk mitigation activities:

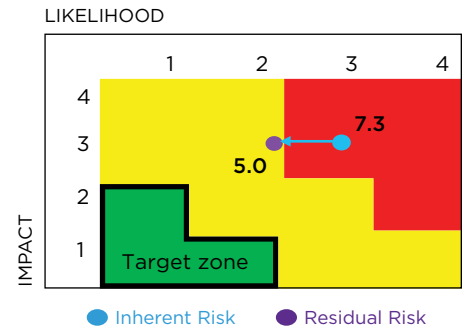
- Launched new vision and mandate statement
- Implemented new IT organizational structure
- Established a business unit steering committee
- Introduced new Service Desk tool
- Implemented a prioritization and portfolio management system



➤ The City may not be prepared for the effects of climate change

Key current risk mitigation activities:

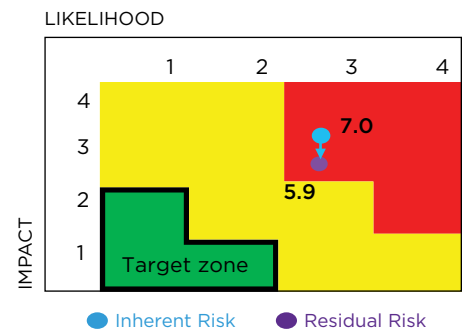
- Environmental Implications section in corporate report templates
- Revised roadway design standards consider severe/prolonged weather events
- Stormwater superpipe capacity improvements
- Developed predictive model with U of S regarding rainfall to identify infrastructure constraints
- Developing climate change adaptation response plan



➤ The City’s decision making processes may be hampered by information systems and data sets (financial and operational) that are not integrated

Key current risk mitigation activities:

- Business case for core corporate financial (Enterprise Resource Planning) system approved by City Council
- Developing enterprise strategies and programs to encompass asset management, data management and business intelligence
- Developed IT Strategic Plan
- Implemented Project On Line
- Data management plans developed in three pilot areas (fire, transit and human resources)

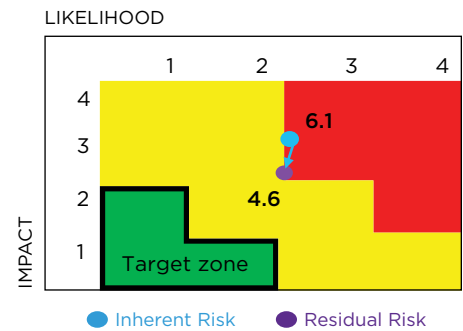


MEDIUM PRIORITY STRATEGIC RISKS (CONT.)

- The City's existing strategies may not be attracting, hiring, managing, developing and retaining top talent to support existing and future operations

Key current risk mitigation activities:

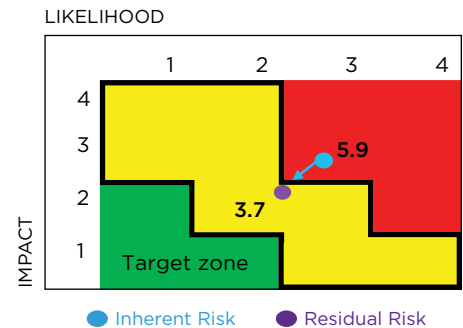
- Succession planning framework has been developed for senior positions
- Competency frameworks have been/are being developed
- "Employee Rewards and Recognition" program under development
- "Investing in Leaders" program continues to offer a variety of opportunities for staff



- The City may not be investing enough money in its parks infrastructure to maintain an acceptable condition and level of service

Key current risk mitigation activities:

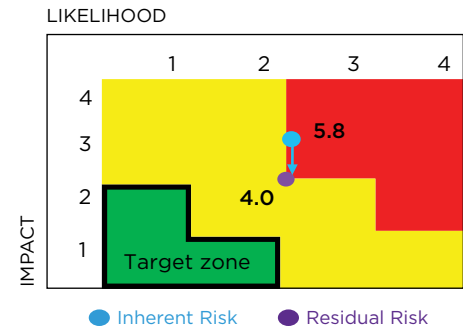
- Completed Civic Service Reviews for Parks and Urban Forestry
- Completed Recreation & Parks Master Plan
- Increased funding from existing sources
- Asset management plan prepared for select assets, additional plans are underway
- Implemented new work management system



➤ The City may not be adequately protecting information created by or entrusted to it

Key current risk mitigation activities:

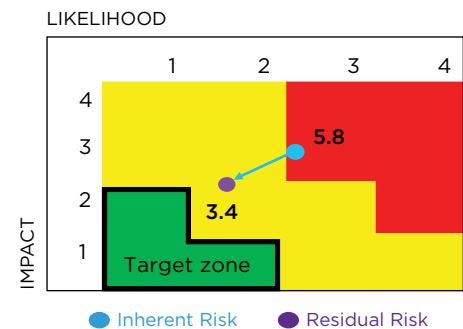
- A framework of information management and governance policies have been developed
- Security reviews, inspections and audits periodically conducted
- Administrative processes/procedures are in place governing user access privileges and information handling
- Privacy Impact Assessment process in place



➤ The City may not be consistently considering risk management when evaluating and pursuing strategic initiatives

Key current risk mitigation activities:

- Risk Management Policy approved by City Council
- Implementation of RBM Program underway
- Strategic Risk Assessment completed
- Strategic Risk Registers prepared and periodically updated
- Consideration of strategic risks in 2017 business planning process

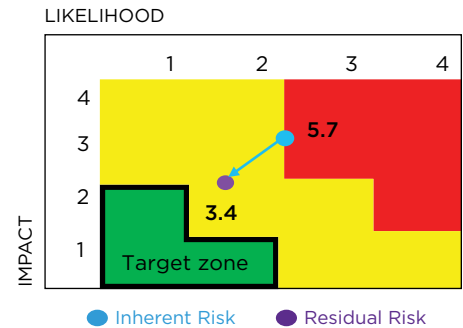


MEDIUM PRIORITY STRATEGIC RISKS (CONT.)

- The City may not be aligning its financial resources in a way that supports its priorities, strategic goals and core services

Key current risk mitigation activities:

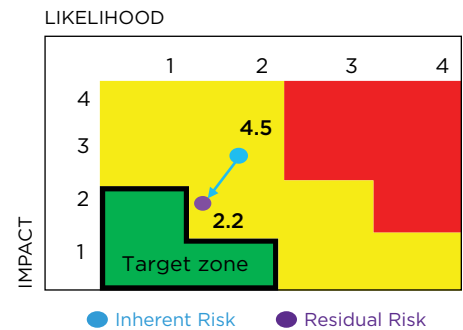
- Periodic strategic planning and annual business planning processes
- Piloted 3rd party online citizen budget tool
- New budgeting process implemented
- Multi-year business planning and budget consulting project underway



- The City may not be investing enough money in its facilities to maintain an acceptable condition and level of service

Key current risk mitigation activities:

- Conduct cyclical building condition assessments
- Customer service agreements prepared and regular customer service meetings conducted
- Annually review CBCM reserve
- Asbestos Management Program established

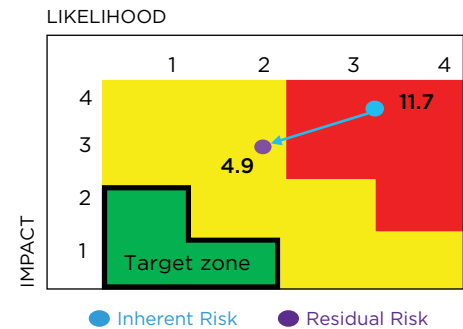


LOW PRIORITY STRATEGIC RISKS

➤ The future growth of the City and region could be restricted by, or in conflict with, growth in surrounding areas

Key current risk mitigation activities:

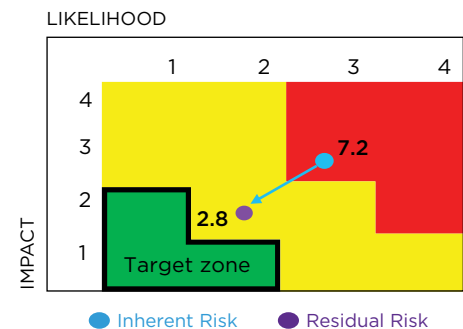
- Participating in the Saskatoon North Partnership for Growth (P4G)
- Contract awarded for multi-phased development of a Regional Plan
- Ongoing participation in Corman Park - Saskatoon Planning District



➤ The City may not be investing enough money in its fleet infrastructure to maintain an acceptable condition and level of service

Key current risk mitigation activities:

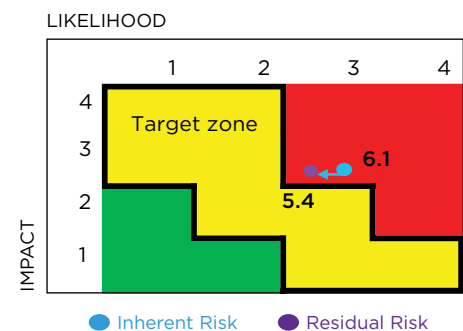
- Completed Civic Service Review and implementing recommended improvements
- Reviewing fleet business model
- Preparing customer service agreements with significant customer groups
- Asset Management Plan being prepared
- Comprehensive reserve sufficiency analysis undertaken



➤ The City may fail to identify and pursue corporate CO₂ reduction initiatives

Key current risk mitigation activities:

- Corporate greenhouse gas emission reduction target adopted
- Energy Performance Contracting request for proposals issued
- Environmental Implications section in Committee and City Council report templates
- Several initiatives undertaken to date (e.g., LED fixtures for street/park lighting, solar power demonstration project, single-stream recycling at civic facilities, route optimization, water management practices, etc.)

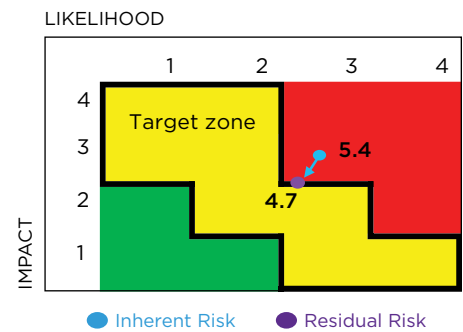


LOW PRIORITY STRATEGIC RISKS (CONT.)

- The City's community education and awareness initiatives regarding carbon footprint may not be affecting change in people's attitudes and behaviors

Key current risk mitigation activities:

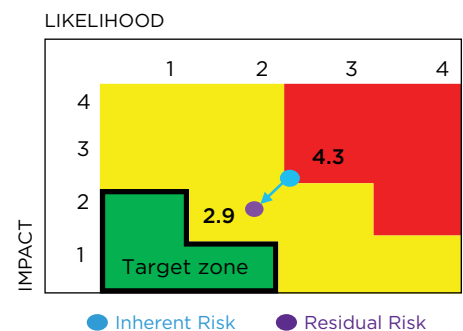
- Signed the Covenant of Mayors
- Developed community greenhouse gas emission inventory
- Community greenhouse gas emission reduction target being developed
- Waste diversion target adopted
- Conservation, recycling and waste diversion education programs are provided to citizens
- Green Cart program expanded to accept food waste



- The City's purchases may not be in accordance with approved policy

Key current risk mitigation activities:

- Comprehensive review of procurement policy and procedures currently underway
- New purchasing card policies and procedures implemented
- Education/training sessions provided to key internal stakeholders



5 OBJECTIVES FOR 2017

Building on the successes achieved to date, 2017 will see additional categories of risk being subject to risk assessment as knowledge and capacity continues to be developed within the organization.

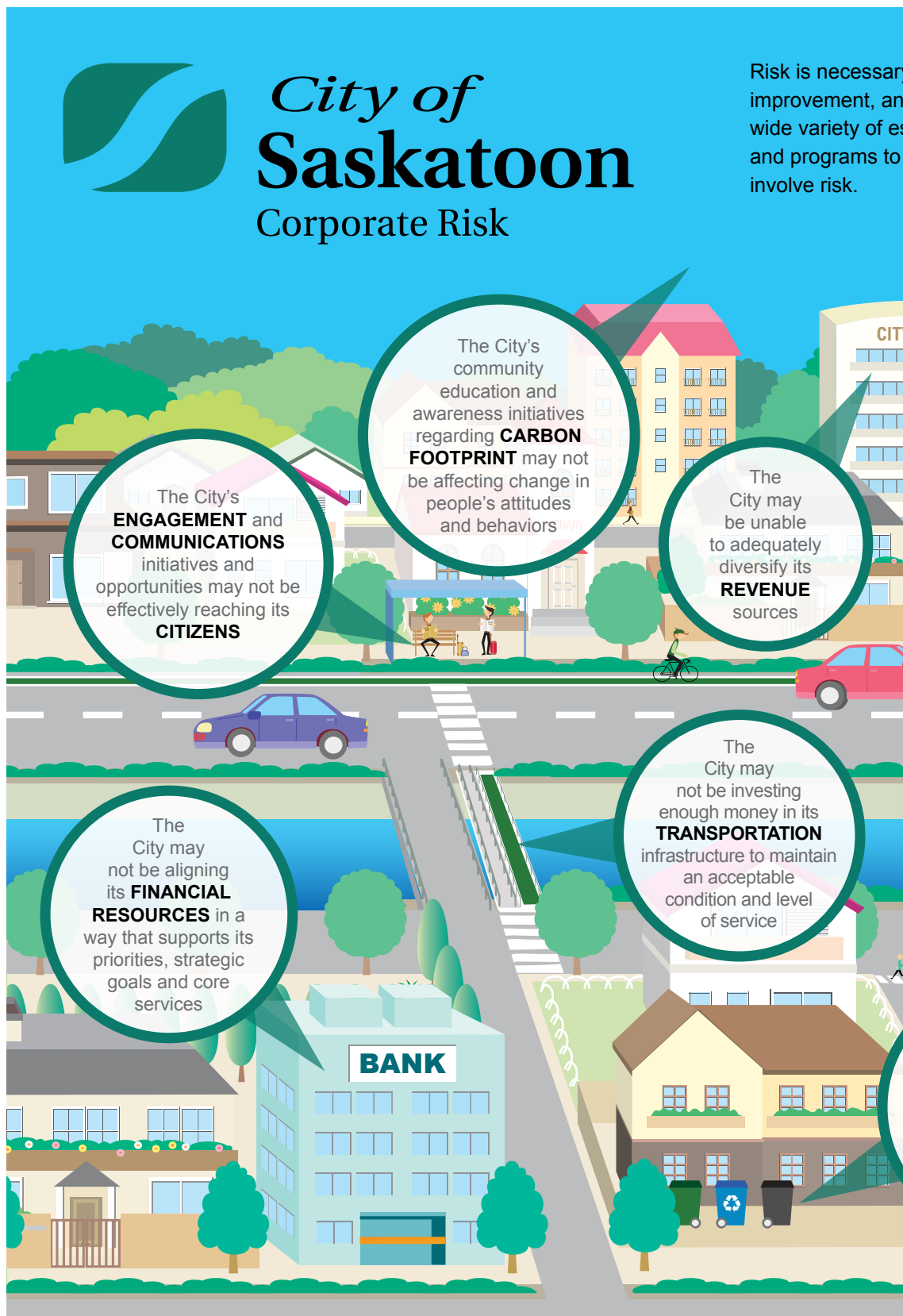
Embed into corporate operations and reporting a systematic, proactive and ongoing process to understand and manage risk and uncertainty.

- A “Risk Management” section will be considered for inclusion in the corporate report template to ensure risk is identified and addressed in all reports to City Council and Committees of Council.
- Operational, financial and compliance risk assessments will be conducted throughout the organization.
- Risk registers will be prepared for the most significant operational, financial and compliance risks that are identified through the risk assessment process.

Communicate risk information throughout the City.

- A Corporate Risk SharePoint site will be established to serve as a source of information and guidance for all Divisions.
- Additional education and informational material will be developed and shared throughout the organization.

APPENDIX 1



The infographic features a stylized cityscape background with various buildings, a river, a bridge, and a road. Six circular callouts are overlaid on the scene, each containing a risk statement. The callouts are: 1. Top-left: 'The City's ENGAGEMENT and COMMUNICATIONS initiatives and opportunities may not be effectively reaching its CITIZENS'. 2. Top-middle: 'The City's community education and awareness initiatives regarding CARBON FOOTPRINT may not be affecting change in people's attitudes and behaviors'. 3. Top-right: 'The City may be unable to adequately diversify its REVENUE sources'. 4. Bottom-left: 'The City may not be aligning its FINANCIAL RESOURCES in a way that supports its priorities, strategic goals and core services'. 5. Bottom-middle: 'The City may not be investing enough money in its TRANSPORTATION infrastructure to maintain an acceptable condition and level of service'. 6. Bottom-right: A partially visible callout.

City of Saskatoon
Corporate Risk

Risk is necessary for improvement, and a wide variety of essential services and programs to improve quality of life involve risk.

The City's **ENGAGEMENT** and **COMMUNICATIONS** initiatives and opportunities may not be effectively reaching its **CITIZENS**

The City's community education and awareness initiatives regarding **CARBON FOOTPRINT** may not be affecting change in people's attitudes and behaviors

The City may be unable to adequately diversify its **REVENUE** sources

The City may not be aligning its **FINANCIAL RESOURCES** in a way that supports its priorities, strategic goals and core services

The City may not be investing enough money in its **TRANSPORTATION** infrastructure to maintain an acceptable condition and level of service

BANK

y for growth and
d providing a
essential services
citizens does

The City of Saskatoon's
Corporate Risk Management
Program assists the
Administration to ensure
management of risk is addressed
in a positive, systematic and
productive way.

Risk to the Corporation is
mitigated through an ongoing
commitment to continuous
improvement in the way the City
is managed – thereby increasing
public confidence in the City's
performance.



The City may not be prepared to quickly and effectively **RESUME OPERATIONS** in the event of serious incident, accident, **DISASTER** or **EMERGENCY**

The City may not be considering the **TOTAL COSTS OF ASSET OWNERSHIP** when making investment decisions

The City may not be investing enough money in its **PUBLIC TRANSIT** infrastructure to maintain an acceptable level of service

The City may not be investing enough money in its **PARKS** infrastructure to maintain an acceptable condition and level of service

The City's **WASTE** and **RECYCLING** services may not be meeting customer service delivery and environmental stewardship expectations

The City's existing strategies may not be attracting, hiring, managing, developing and retaining **TOP TALENT**



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