
Key Risks and Risk Based Management Update

Recommendation

That the Standing Policy Committee on Finance recommend to City Council:

1. That the information be received; and
2. That the proposed Key Corporate Risks list be approved.
3. That the Corporate Risk Committee report further on the high priority key corporate risks in due course.

Topic and Purpose

This report delivers the City of Saskatoon's (City) key corporate risks, and an update on the implementation of City Council's Risk Based Management Policy, including a Risk Based Management Vision and Principles Statement, process summaries, and a risk rating and ranking system.

Report Highlights

1. The Administration has created a Corporate Risk Committee to administer the Risk Based Management Program.
2. PwC has assisted the Administration with identifying the key corporate risks.
3. The Administration has ranked the risks based on likelihood and impact.
4. Next steps for management of key corporate risks.

Strategic Goal

This report supports the long-term strategy of creating and encouraging a workplace culture of continuous improvement that encourages innovation and forward-thinking under the strategic goal of Continuous Improvement. This is done by implementing Council Policy C02-040 Corporate Governance - Risk Based Management and by setting a positive and proactive risk management culture for the Administration through the adoption of critical risk information, and identification, rating and ranking, and mitigation tools for the Administration.

Background

At its meeting of August 21, 2014, City Council adopted Policy C02-040, Corporate Governance - Risk Based Management, to ensure that the City's key corporate risks are identified, managed and reported. At its meeting of December 15, 2014, City Council also approved a five-year contract with PricewaterhouseCoopers (PwC) as its new Risk Based Internal Audit provider.

The City's Risk Based Management Program was designed to identify the City's key risks, and ensure that the Administration is working on plans to mitigate these risks in order to raise the likelihood of reaching its goals. The internal audit services contract awarded to PwC included identification of the City's risks, and is intended to focus the audit plan on the City's most pressing risks.

Report

Risk Based Management Program

The City's risk management program includes the:

- adoption of the Risk Based Management Policy;
- establishment of a structure to implement and monitor the policy and program;
- identification of the organization's key risks;
- development of a recommended audit plan; and
- development of a response from the Administration to the key risks and audit plan.

A Corporate Risk Committee (CRC) was established to implement and manage the program.

The CRC (comprised of the City Manager, General Managers (four), City Solicitor, Director of Government Relations, Fire Chief, Police Chief and Director of Corporate Risk) has been established to oversee the implementation of the Policy. The CRC has adopted Terms of Reference (Attachment 1) which establishes its key responsibilities as implementing the Policy and creating a positive and productive risk management culture within the organization. In addition, it has developed a Risk Management Vision and Principles statement and documents (Attachment 2) that will assist the Administration in the consistent and efficient management of the City's risks, and, in conjunction with PwC, the Risk Assessment Matrix to ensure consistency of risk information across the corporation.

Key Corporate Risk Identification

PwC has assisted the Administration with identifying the key corporate risks through interviews with Councillors and the Administration, and will develop its proposed internal audit plan based on these risks. These corporate risks were categorized in the following areas:

- Infrastructure and Operations
- Financial
- Information Technology
- Stakeholder
- Business Continuity

In addition, these risks were categorized by organizational impact. A Tier 1 risk is defined as one that has an organization-wide impact, whereas a Tier 2 risk is more concentrated at the departmental level.

Key Risk Ranking

The key corporate risks were reviewed and confirmed by the Administration. The CRC ranked and prioritized these risks using a risk assessment matrix that assesses the likelihood of impact and the risk. This prioritized list of risks (Attachment 3) will give the Administration direction and focus to prioritize its risk management efforts. The list will be reviewed and updated on an ongoing basis, both by internal audit and the Administration.

Key Risks and Risk Based Management Update

Next Steps for the Risk Based Management Program

The CRC will assess current risk mitigation strategies and will confirm or develop plans aimed at mitigating risks to an agreed upon level of tolerance. All risks identified on the list will be assigned to the appropriate department and monitored for enhanced mitigation needs and opportunities. Efforts will be focused on all items on the risk list, however, particular attention will be given to the higher priority items.

A proposed internal audit plan will be developed and submitted to the Standing Policy Committee on Finance by PwC for approval, based on this prioritized list of risks.

Communication Plan

A variety of tools will be used to effectively communicate the City's Risk Based Management Program. The communication tools will include, but may not be limited to, the following:

- A news release will be issued to highlight the implementation of the Risk Based Management Policy and Program. The information will be further promoted on the City's social media sites including Twitter and Facebook.
- To ensure transparency, an online presence on the City's website will be created (under City Hall). The webpage will include *Frequently Asked Questions* about the Risk Based Management Policy and Program, along with regular updates on the City's progress.
- Future reports to Committees of Council will identify and report on risk management efforts particularly related to those on the prioritized list of risks.

Other Considerations/Implications

There are no policy, financial, environmental, privacy, CPTED or other implications, and there are no options to the recommendation.

Due Date for Follow-up and/or Project Completion

An internal audit plan will be submitted to the Standing Policy Committee on Finance by PwC for approval. Periodic updates on the Risk Based Management Program and results of the internal audits will be reported to the Standing Policy Committee on Finance as required.

Attachments

1. Terms of Reference
2. Risk Management Vision, Principles, Decision Tree, and Process Cycle
3. Key Corporate Risks

Report Approval

Written by: Wayne Bischoff, Director of Corporate Risk
Reviewed by: Kerry Tarasoff, CFO/General Manager, Asset & Financial Management Department
Approved by: Murray Totland, City Manager, Chair CRC

Key Risks_RBM Update.docx

TERMS OF REFERENCE

City of Saskatoon Corporate Risk Committee (the “Committee”)

Mandate of the Committee

The Committee’s mandate is to promote a proactive risk management practice and culture within the City of Saskatoon (City) so as to assist with the achievement of corporate goals through the timely identification and effective treatment of corporate risk.

Composition of the Committee

The Committee shall consist of the City Manager, General Managers (four) of each department, City Solicitor, Director of Government Relations, Fire Chief, Police Chief, and Director of Corporate Risk. The City Manager shall be the Chair of the Committee.

Duties and Responsibilities of the Chair

The Chair shall:

1. Ensure that the Committee is properly organized and functions effectively to fulfil its responsibilities;
2. Determine the frequency of meetings;
3. Ensure that agendas and related materials are prepared and distributed; and,
4. Deliver the annual Risk Reports to Council and the Standing Policy Committee on Finance.

Duties and Responsibilities of the Committee

The Committee is responsible to ensure that the City Administration implements processes and policies for the proactive identification, assessment, evaluation, treatment and ongoing review of the City’s strategic, business and enterprise wide risks, and to ensure effective and timely communication of risk information throughout the corporation.

The Committee shall:

1. Direct the City’s risk management practice, and in particular ensure compliance with Council Policy C02-040, Corporate Governance, Risk Based Management (copy attached);
2. Promote and develop a common “risk aware and risk smart” culture within and across all operations of the City;

3. Initiate and oversee a complete corporate risk assessment every two years, or earlier if required;
4. Ensure the timely recording and reporting of the City's risk in Risk Statements;
5. Review, on a quarterly basis, the City's corporate risk statements to ensure they reflect a comprehensive and complete summary of the City's significant strategic, business and enterprise wide risk and provide timely and effective plans for the mitigation of risks identified therein;
6. Prepare, in conjunction with City Council, a Risk Appetite statement for the City, and develop risk appetite and tolerance policies to provide direction for departmental risk administration practices;
7. Review annually:
 - a. the City's Risk Based Management process framework and reporting methodologies;
 - b. The City's risk appetite and tolerance statements and guidelines;
 - c. the relationship between the operation of Business Planning, the Risk Based Management program and the Internal Audit Program;
 - d. the City's annual insurance program, including the risk retention philosophy and potential exposure levels;
 - e. the city's business continuity planning and emergency measures planning;
 - f. any litigation, claim or contingency that could have a material impact on the financial position of the City, or that could have a material impact on public perception of the City; and,
8. Develop and implement such further policies and procedures as may be deemed necessary or desirable to improve the practice of effective and efficient risk management throughout the City.

Reporting

The Committee shall receive information and recommendations related to risk management from its members and administration, make decisions directing management of corporate risk, and report annually to the Standing Policy Committee on Finance and Council with a summary of risk management activity for each calendar year.

CITY OF SASKATOON COUNCIL POLICY

NUMBER C02-040

POLICY TITLE <i>Corporate Governance – Risk Based Management</i>	ADOPTED BY: <i>City Council</i>	EFFECTIVE DATE <i>August 21, 2014</i>
ORIGIN/AUTHORITY <i>Standing Policy Committee on Finance Report 8.3.2.1</i>	CITY FILE NO. <i>CK. 1600-37</i>	PAGE NUMBER <i>1 of 5</i>

1. PURPOSE

1.1 To ensure that the City:

- a) is protected from the negative effects of risk to the fullest extent possible; and
- b) realizes maximum positive results from its activities and efforts.

2. DEFINITIONS

- 2.1 Risk - means uncertainty about whether a risk event that has the potential to significantly affect the goals and objectives of the City will result in a gain or loss in the achievement of the corporate goal or objective;
- 2.2 Risk Based Management (RBM) - means 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, and as further described in Appendix A hereto;
- 2.3 Risk Event - means an event arising out of the activities or operations of the City that gives rise to uncertainty about whether the goal or objective will be achieved;
- 2.4 Risk Management - means avoiding, accepting, transferring or treating the uncertainty arising from a risk event to minimize the negative impact of the risk event and increase the likelihood of achieving the goal or objective, by reducing the negative outcomes of risk events and enhancing the positive outcomes of intelligent risk taking;

CITY OF SASKATOON COUNCIL POLICY

NUMBER
C02-040

POLICY TITLE	EFFECTIVE DATE:	PAGE NUMBER
<i>Corporate Governance – Risk Based Management</i>	<i>August 21, 2014</i>	<i>2 of 5</i>

- 2.5 Risk Tolerance Level - means a level of negative risk event outcome that is acceptable in the particular operations of the City.

Implementation of the Policy

3. POLICY

3.1 Policy Statement

The City shall adopt a process to manage the City's enterprise level risk, entitled RBM as described herein and the Schedules attached hereto. Administration shall 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, which will contribute positively to the achievement of corporate objectives.

3.2 Policy Principles

The RBM process shall:

- a) create value for the City;
- b) be an integral part of organizational processes;
- c) be an integral part of decision making;
- d) explicitly address uncertainty;
- e) be systematic, supported and timely;
- f) be based on the best available information;
- g) be tailored to the City's specific needs;
- h) take human and cultural factors into consideration;
- i) be transparent and inclusive;
- j) be dynamic, iterative and responsive to change;
- k) facilitate continuous improvement of management practices; and
- l) enhance achievement of the goals of the organization.

[Based on the ISO 31000 Risk Management Standard.]

CITY OF SASKATOON COUNCIL POLICY

NUMBER
C02-040

POLICY TITLE	EFFECTIVE DATE:	PAGE NUMBER
<i>Corporate Governance – Risk Based Management</i>	<i>August 21, 2014</i>	<i>3 of 5</i>

3.3 The City of Saskatoon RBM Process Outcomes

- a) Management decisions shall be taken with the support of systematically obtained and organized risk and uncertainty information to ensure effective and efficient use of City resources.
- b) All risks that have the potential to significantly impede the achievement of corporate goals and objectives shall be identified, analysed, treated, and disclosed when reporting to Administration, Council or Committees.
- c) The integration of RBM into all operations of the City will be supported by a corporate philosophy and culture that actively supports and encourages all employees to systematically and proactively manage risk using the RBM system, and to take a “risk smart” approach to managing all risk inherent in City activities.
- d) RBM will be integrated into short, medium and long term strategic and business planning, including budget planning, and ongoing operations of the City, and will be consistently applied to the development and implementation of policy, programs, plans and future directions for the City.
- e) The RBM process shall be reviewed and benchmarked against risk management best practices, and this policy shall be reviewed and updated by Council at appropriate intervals.

3.4 Reporting

- a) All reports and presentations to Council or Committees made by Administration shall consider and disclose all significant risks arising from activities or recommendations contained in the report. **It is not acceptable to protect Council from bad news by concealing risks.**
- b) Use of common language and terms outlined in the RBM documents shall be used when disclosing risk and uncertainty to Administration, Council or Committees.

CITY OF SASKATOON COUNCIL POLICY

NUMBER
C02-040

POLICY TITLE	EFFECTIVE DATE:	PAGE NUMBER
<i>Corporate Governance – Risk Based Management</i>	<i>August 21, 2014</i>	<i>4 of 5</i>

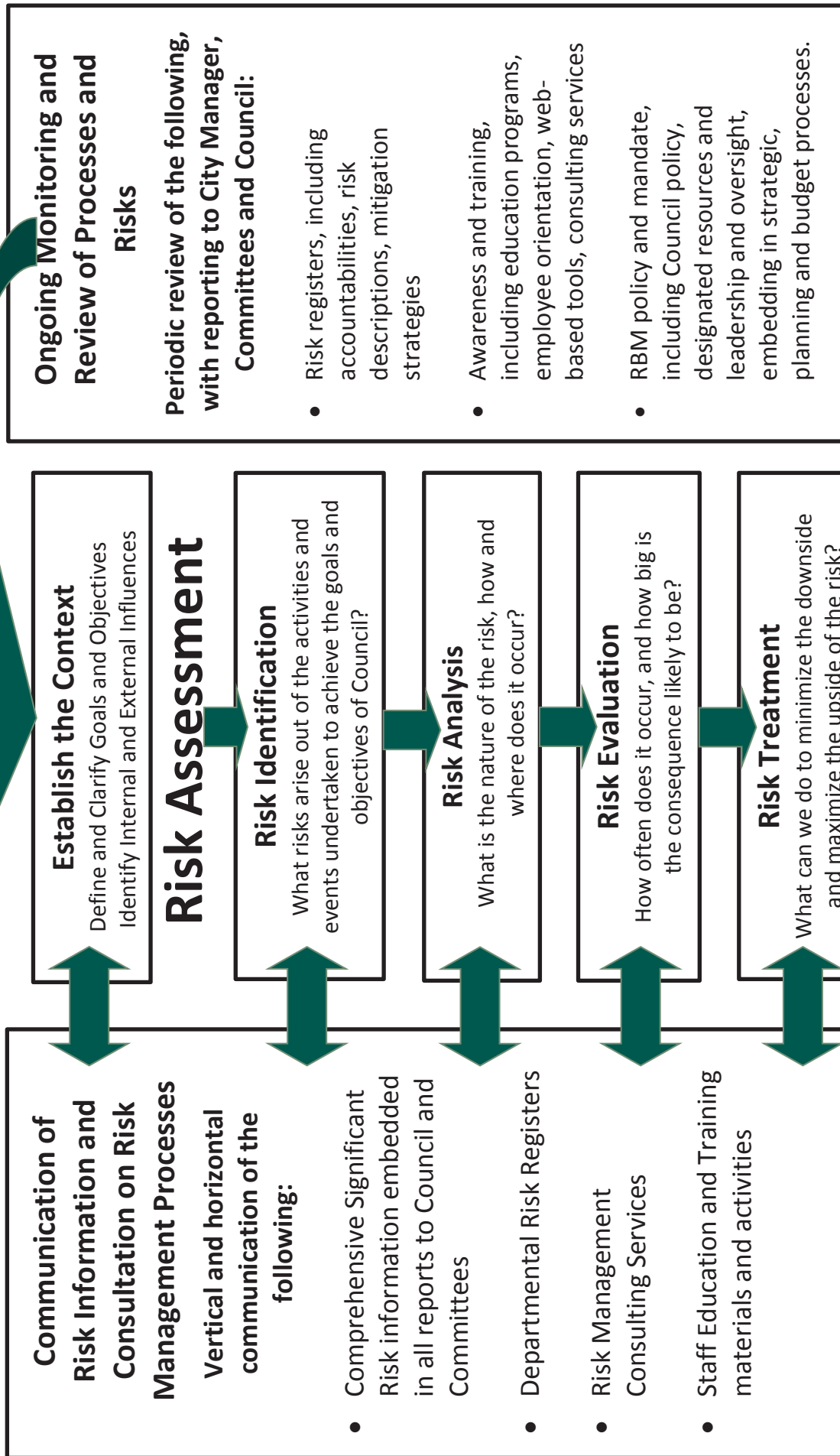
3.5 Risk Tolerance

- a) Council, in consultation with the City Manager, shall set risk tolerance levels for the corporation. Risk tolerance levels will be set in consideration of relevant legislated requirements, corporate goals and objectives, and the principles and processes outlined in this policy.
- b) All City employees shall carry out their obligations within approved risk tolerance levels.

4. RESPONSIBILITIES

- 4.1 City Council - shall be responsible to set and review risk management policy.
- 4.2 The City Manager - shall be responsible for risk management throughout the corporation of the City.
- 4.3 The City Manager - may further delegate particular risk management duties as defined in the RBM procedures attached hereto.
- 4.4 All City employees - shall be responsible for management of risk and uncertainty within the scope of their duties, and shall comply with requirements of the RBM system. Management of particular risks shall be assigned to the person most aware of, and best able to manage, the particular risk.

Risk Based Management Model

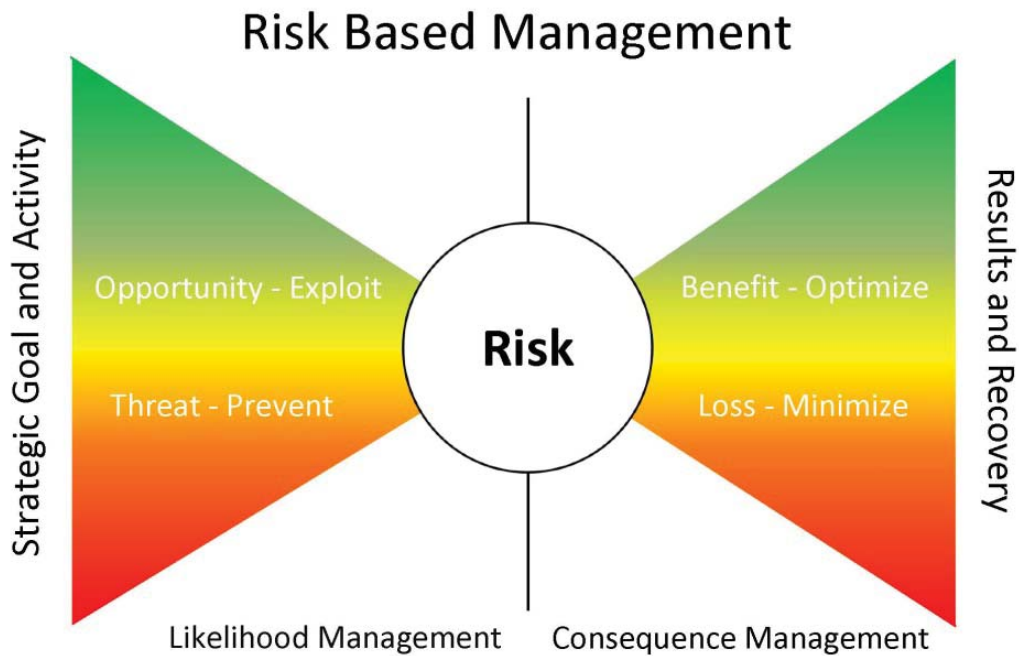


RISK MANAGEMENT VISION

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

RISK MANAGEMENT PRINCIPLES

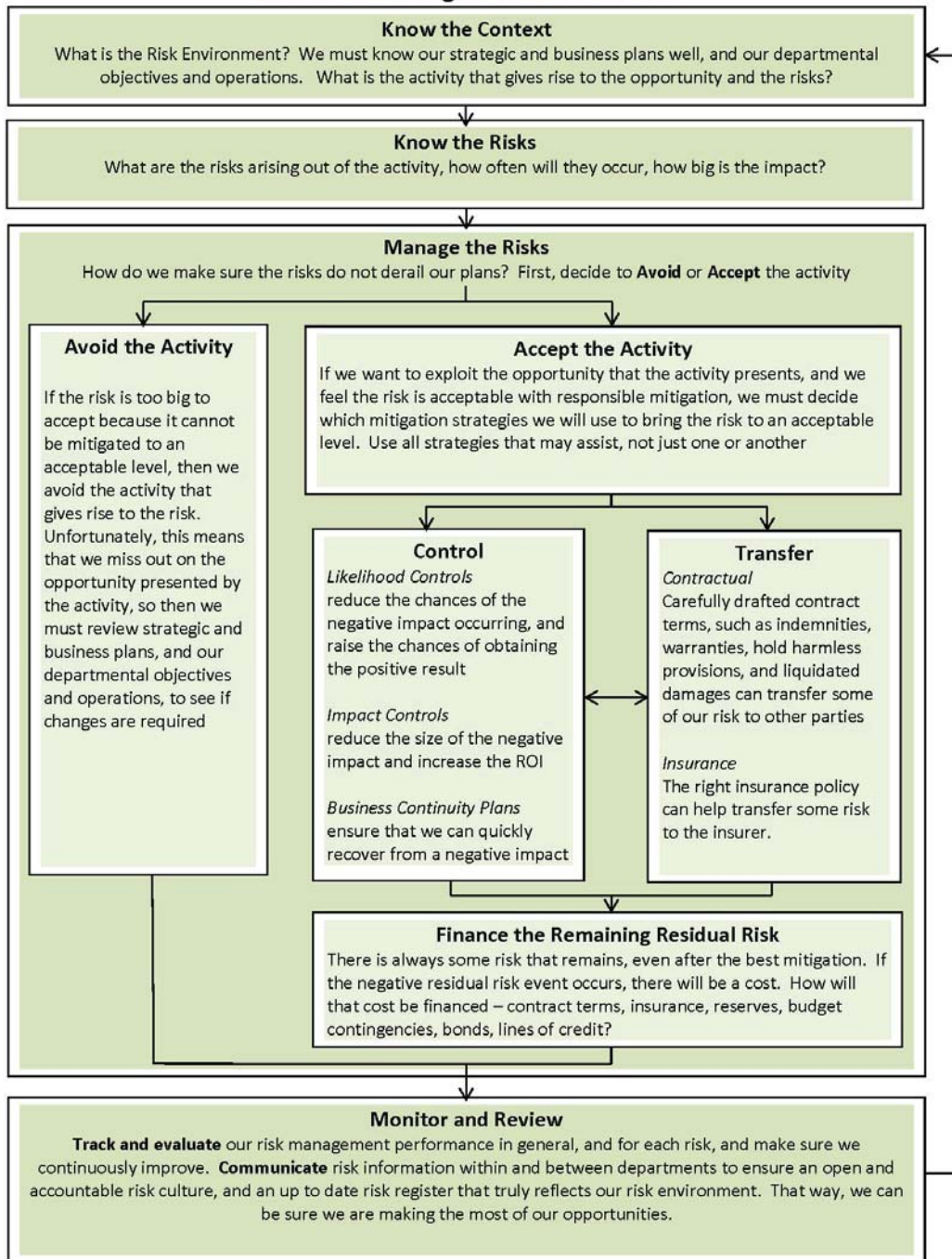
1. We understand that risk is inherent in everything we do, and we manage risk to achieve our goals.
2. We accept risks that cannot be avoided or transferred, and we actively measure, manage and monitor those risks.
3. We share a common language for risk, and we track and continuously improve our risk management performance.



Risk Based Management Process Cycle



Risk Based Management Decision Tree



Key Corporate Risks

May 2015 - Ranked

Tier	Risk Type	Risk	Priority Ranking
1	FIN	The lack of regional growth plan that includes all of the city's neighbors could restrict the city's growth in the future.	High
1	FIN	There may be limitations on non-property tax revenue options and taxing powers, resulting in an over-reliance on property tax.	High
1	InfOp	The current investment in infrastructure renewal and maintenance over the last ten years may not have been adequate. Some areas need fresh infrastructure investment: Roads	High
2	InfOp	While making capital investment decisions, adequate funding for asset lifecycle costs may not be getting identified.	High
1	InfOp	The City carries the risk of over/under investing within its future infrastructure and not being aligned to economic scenario within the city/province.	High
1	InfOp	The City may not be delivering expected level of services to citizens or internal stakeholders: Transit	High
1	InfOp	The current investment in infrastructure renewal and maintenance over the last ten years may not have been adequate. Some areas need fresh infrastructure investment: Transit	High
1	InfOp	The City may not be delivering expected level of services to citizens or internal stakeholders: IT	High
1	InfOp	The City may not have adequate business continuity planning and or emergency preparedness in place.	High
1	IT	Some IT systems and hardware may be outdated resulting in inability to meet business needs.	High
1	InfOp	The current investment in infrastructure renewal and maintenance over the last ten years may not have been adequate. Some areas may need fresh infrastructure investment: Fleet Management (snow clearing, garbage collection, etc.)	Medium
1	FIN	The current budgeting process may make it difficult to see the "big picture" and identify priority based funding. A good understanding of what is needed for baseline operations and what's considered as an add-on may not exist.	Medium
1	IT	There may be a lack of a clear IT strategy for the organization which may result in higher IT costs and inability for IT to function as an enabler.	Medium
1	InfOp	The City may not be delivering expected level of services to citizens or internal stakeholders: Road Maintenance	Medium

Key Corporate Risks

May 2015 - Ranked

Tier	Risk Type	Risk	Priority Ranking
1	ENV	City may be lacking a clearly articulated strategy on how to manage climate change related risks.	Medium
1	InfOp	The City may not be delivering expected level of services to citizens or internal stakeholders: Snow Removal	Medium
1	PEOP	Current succession planning and leadership development may not be adequate considering ageing workforce and staff turnover.	Medium
1	InfOp	The current investment in infrastructure renewal and maintenance over the last ten years may not have been adequate. Some areas need fresh infrastructure investment: Park and Recreation Facilities	Medium
1	IT	Financial and operational systems are not well integrated which makes it difficult to make data based decisions (asset management, maintenance, ERP, HR Systems etc.)	Medium
1	InfOp	The current investment in infrastructure renewal and maintenance over the last ten years may not have been adequate. Some areas need fresh infrastructure investment: Sidewalks	Medium
1	InfOp	The City may not be delivering expected level of services to citizens or internal stakeholders: Garbage Collection	Medium
1	IT	Inadequate management of privacy and security of information may be a risk. Data management may be insecure due to use of cloud services.	Low
1	STK	City may lack the right initiatives to adequately engage and inform citizens. An expectation gap between citizens and the city may be leading to dissatisfaction with services.	Low
2	PEOP	With the economic growth of the province, the City may be experiencing a high degree of staff turnover which may require better talent management and retention strategies.	Low
1	PEOP	Overall workforce planning process may not be adequate to highlight what the future organization would look like and align it with citizen needs and expected service levels.	Low
1	InfOp	The City may not be delivering expected level of services to citizens or internal stakeholders: Parks Maintenance	Low
2	IT	Current IT skills may not match the future needs of the organization.	Low
1	FIN	Current system of cross-charging costs may be inefficient.	Low
1	InfOp	The City may not be delivering expected level of services to citizens or internal stakeholders: Bridges	Low
1	InfOp	The City may not be delivering expected level of services to citizens or internal stakeholders: Fleet	Low

Key Corporate Risks

May 2015 - Ranked

Tier	Risk Type	Risk	Priority Ranking
2	InfOp	The lack of integrated Asset Management approach and systems may be affecting the overall process of asset maintenance.	Low
1	InfOp	The City may not be delivering expected level of services to citizens or internal stakeholders: Buildings	Low
2	ENV	Absence of CO2 reduction initiatives (environmental impact assessments, landfill emissions assessment, green energy initiatives) may lead to a bigger than expected carbon footprint.	Low
2	FIN	Strategic initiatives may not be reviewed for key risks during the business case evaluation in a structured and comprehensive way.	Low
2	FIN	Procurement activities may not be in adherence with policies and procedures, especially with respect to sole source contracts.	Low
2	ENV	City may need to do more to create community awareness with respect to increase awareness, educate and change peoples' attitude about carbon footprint especially since greenhouse gas emissions mostly come from residents.	Low

InfOp = Infrastructure/Operations

FIN = Financial

IT = Information Technology

STK = Stakeholder

ENV=Environmental

BusCont = Business Continuity

PEOP = People