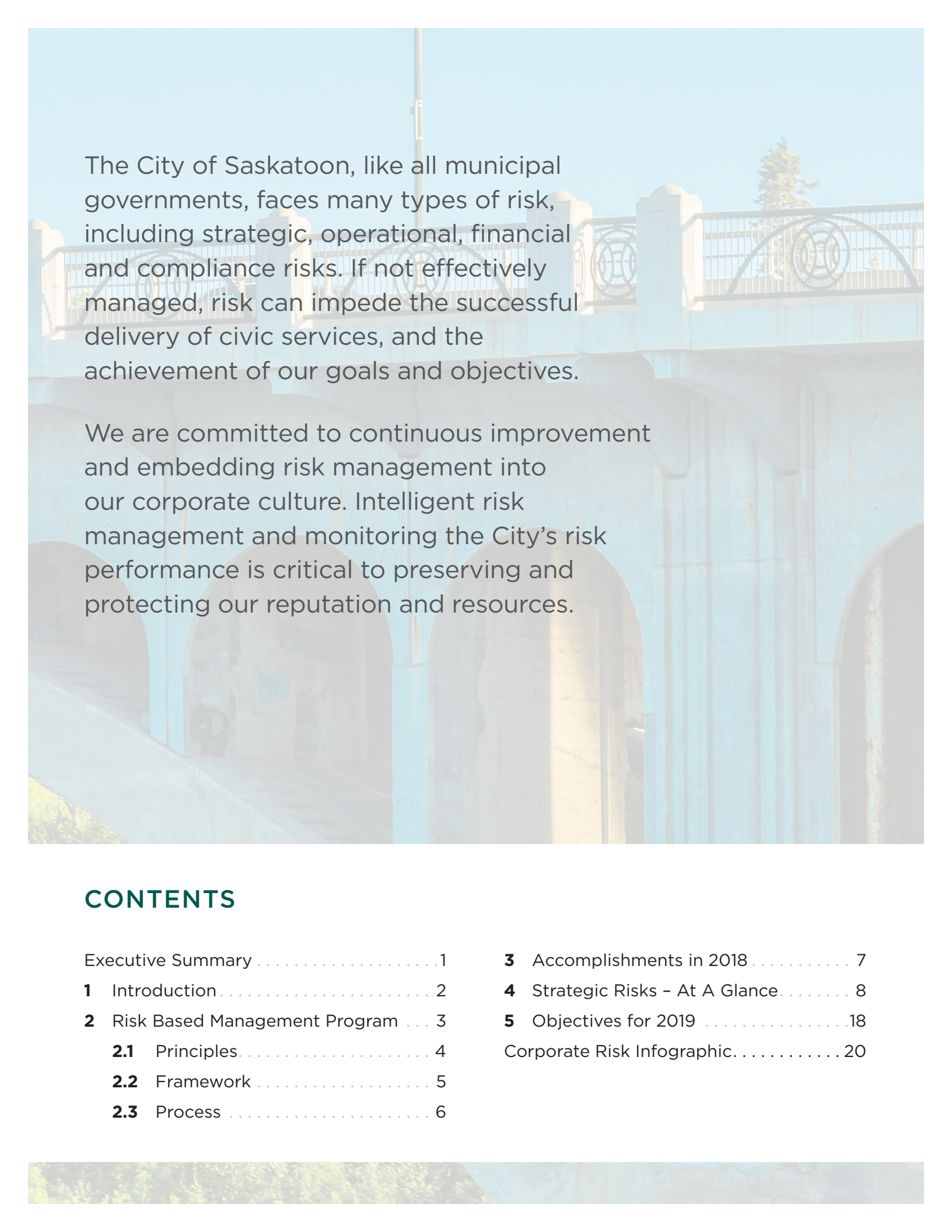




CORPORATE RISK

2018 ANNUAL REPORT



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

We are committed to continuous improvement and embedding risk management into our corporate culture. Intelligent risk management and monitoring the City's risk performance is critical to preserving and protecting our reputation and resources.

CONTENTS

Executive Summary	1	3 Accomplishments in 2018	7
1 Introduction	2	4 Strategic Risks – At A Glance	8
2 Risk Based Management Program ...	3	5 Objectives for 2019	18
2.1 Principles	4	Corporate Risk Infographic	20
2.2 Framework	5		
2.3 Process	6		

EXECUTIVE SUMMARY

The City of Saskatoon's Risk Based Management (RBM) 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 reduce the risk to an acceptable level.

This understanding and analysis has allowed the City to make 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 14 risks from high (i.e. high likelihood, high impact) to medium (i.e. medium likelihood, medium impact), with 4 risks residing within their target zone.



Even with this progress, 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 Saskatoon'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
- leisure activities and programs 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 – 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 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 this report, progress continues to be made in achieving the objectives of the RBM Program, with further advances planned for 2019 and beyond.

RBM Program Vision

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

2 RISK BASED MANAGEMENT PROGRAM

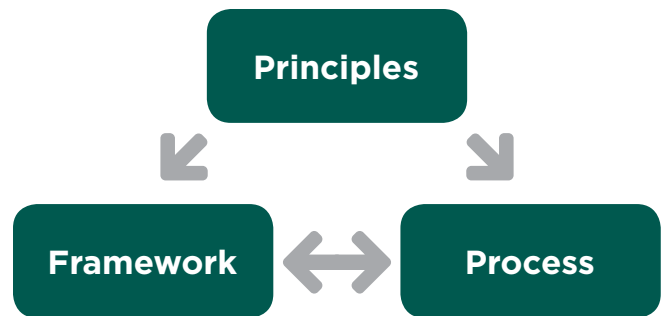
The City faces a variety of challenging natural, political, financial, environmental and cultural influences that make its operating environment uncertain. These influences may impact the extent to which corporate objectives can be met.

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** to provide guidance on the characteristics of effective and efficient risk management, communicating its value and explaining its intention and purpose;
- a **framework** to assist the organization in integrating risk management into significant activities and functions; and
- a **process** that is integrated into the structure, operations and processes of the organization at the strategic, operational, program or project level.

FIGURE 2.1: COMPONENTS OF ISO 31000 RISK MANAGEMENT METHODOLOGY



Risk

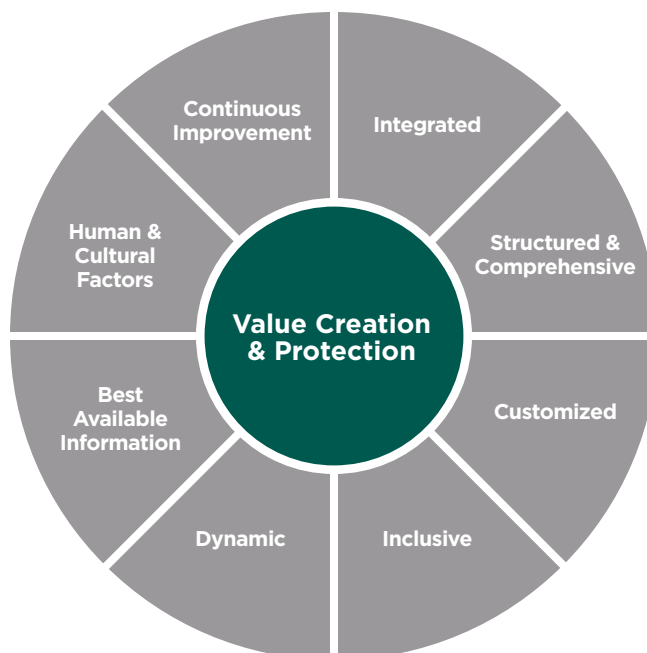
The chance of something happening that will have an effect on our ability to achieve our objectives

2.1 PRINCIPLES

The City's RBM Program will:

- Be **integrated** into activities and processes, including strategic and business planning, project management and change management.
- Be **structured and comprehensive** to facilitate repeatable, consistent, comparable and reliable outcomes.
- Be **customized** and proportionate to the City and consider its objectives, capabilities, the environment in which it operates and the risks faced.
- 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 their knowledge, views and perceptions are considered.
- Be **dynamic** 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 able to anticipate, detect, acknowledge and respond to changes.
- Be based on **best available information** with inputs to the risk management process drawing on current and historical data, experience, feedback, observation, forecasts or expert judgment. Information should be timely, clear and readily available.
- 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.
- Facilitate the City's **continuous improvement** and enhancement through learning, experience and regular reviews of, and improvements to, the risk management framework and processes.

ISO 31000 PRINCIPLES OF RISK MANAGEMENT



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

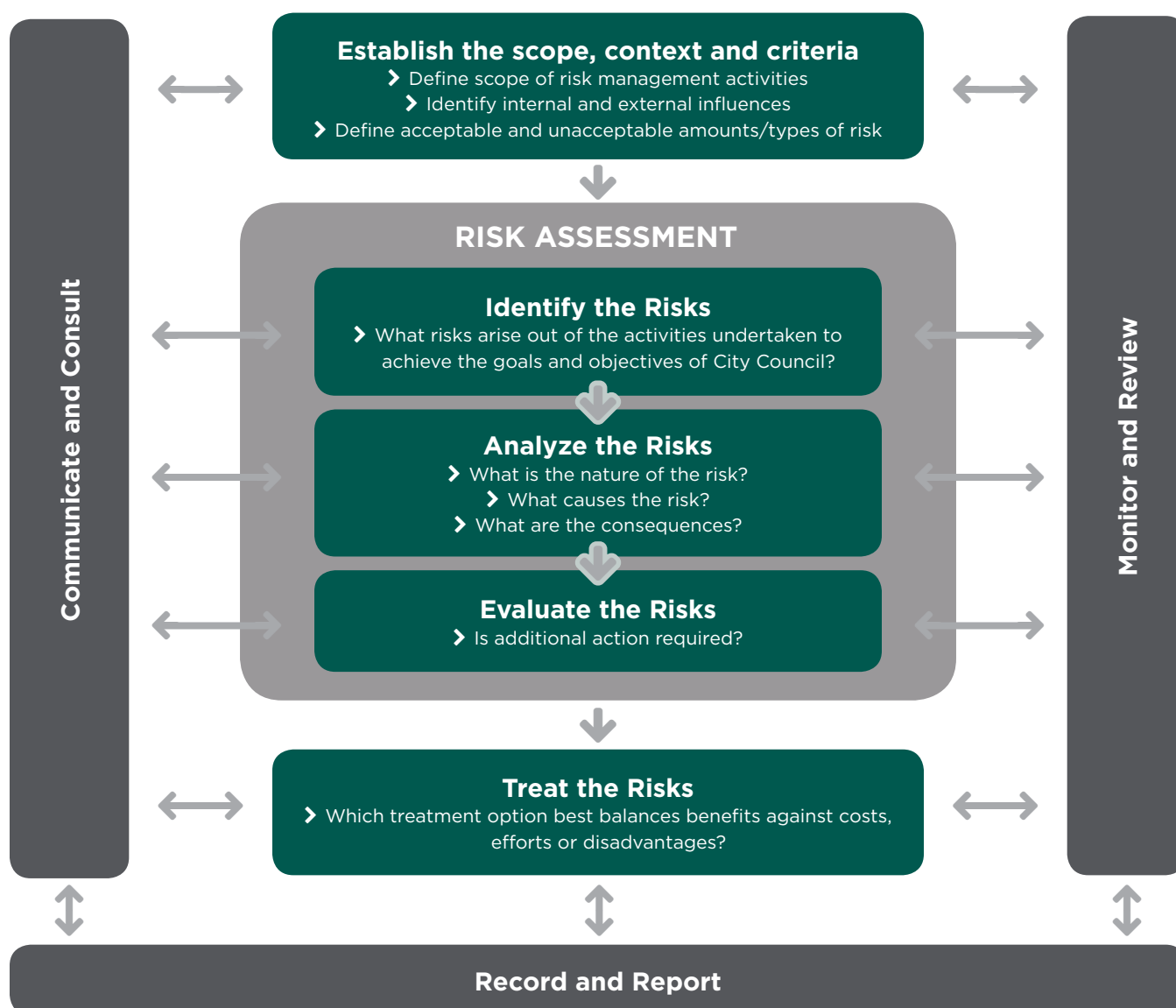


2.3 PROCESS

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 its risk criteria. Throughout this process, the City will *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. We *record and report* the outcomes of the risk management process in order to educate, support decision making, improve organization-wide risk management activities and assist others in meeting their responsibilities and accountabilities for risk management.

FIGURE 2.3: ISO 31000
RISK MANAGEMENT PROCESS



3 ACCOMPLISHMENTS IN 2018

The Corporate Risk Office continues to focus on maintaining the foundational elements of the RBM Program and engaging in corporate outreach activities. Throughout 2018 the Corporate Risk Office was also responsible for the Corporate Security function; in January 2019, the corporate reorganization resulted in the transfer of the function to the Facilities Management Division.

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

- **Risk registers** for all strategic risks were updated to reflect 2018 accomplishments as well as the planned mitigation strategies for 2019 and beyond.
- The **Internal Audit Plan** was updated based on the priorities identified in the Strategic Risk Assessment and input from the Standing Policy Committee on Finance.
- A **corporate risk appetite** was approved by City Council that outlines the amount and type of risk the City is willing to accept in order to achieve its objectives.
- A **Corporate Security Strategy** was developed and a new Corporate Security Manager hired to support implementation of organization-wide security initiatives.
- A new **visitor screening process** was implemented for all public meetings held in Council Chambers in order to improve safety for citizens, elected officials and staff.
- Several **risk reviews** of procurement instruments, program enhancements and corporate policies were performed, at the request of civic management and staff.
- A workshop on **project risk management** was co-hosted at the Project Management Community of Practice Fall Learning Event.
- Completed two **operational risk assessments** that were carried over from 2017 with the Water & Waste Stream Division (Landfill Asbestos) and the General Superannuation Pension Plan.
- Participated in a Business and Operational Continuity Planning **tabletop exercise** with the former Roadways and Operations Division.
- In cooperation with Emergency Management Division and Occupational Health, Safety and Wellness Section, developed a corporate **Emergency Preparedness Plan** template for organization-wide roll out in 2019.

Communicate risk information throughout the City

- The **corporate report template** has been amended to include reference to the corporate risk appetite and advise the Administration to consider risk in their analysis.
- The corporate **risk rating tool** has been updated to reflect the City's operations.



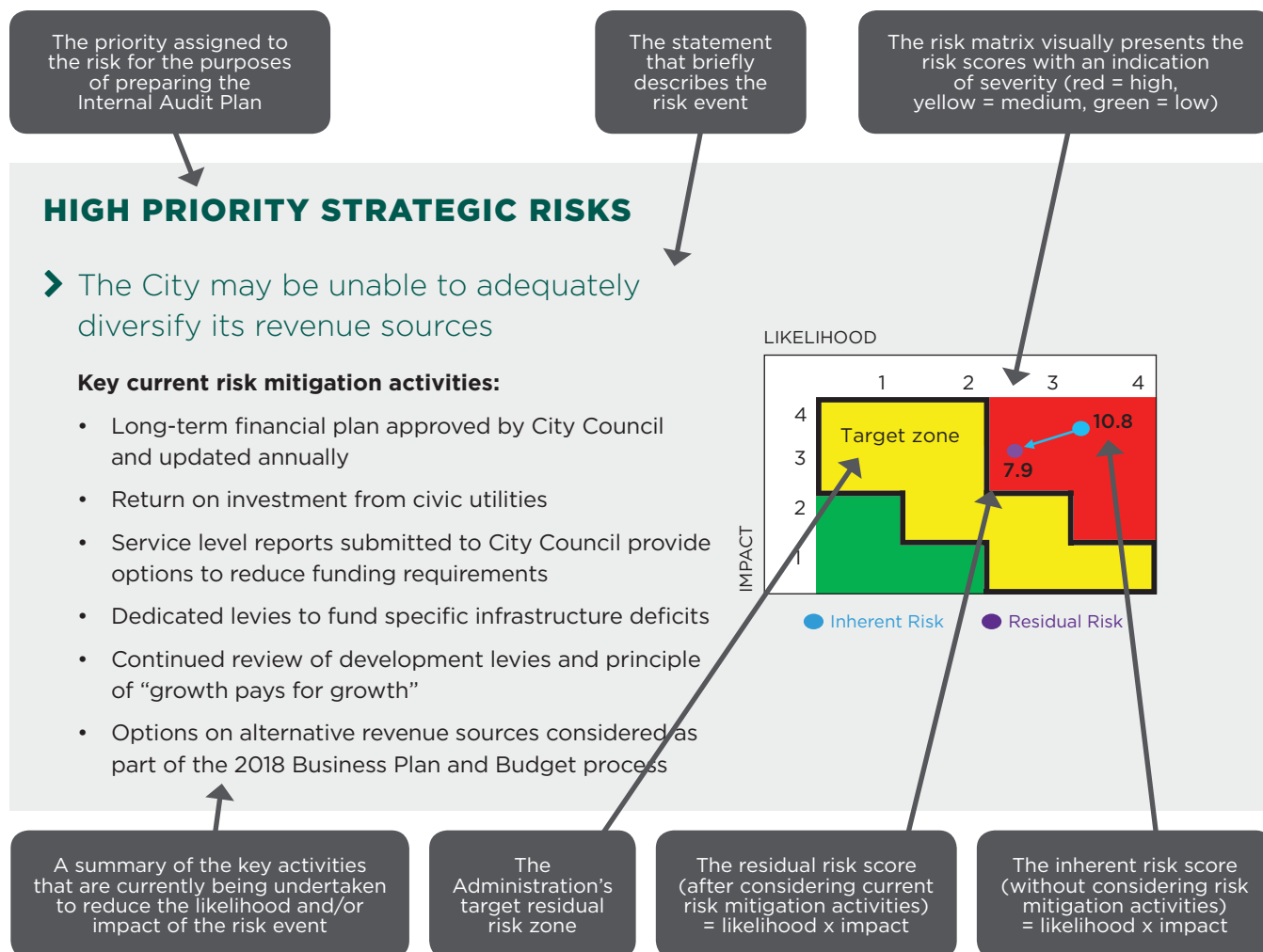
4 STRATEGIC RISKS – AT A GLANCE

The Strategic Risk Assessment that was conducted 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 risks were scored 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. 7.9) is the impact that can be attributed to current risk mitigation activities.

FIGURE 4.1: GUIDE TO UNDERSTANDING THE STRATEGIC RISK SUMMARY



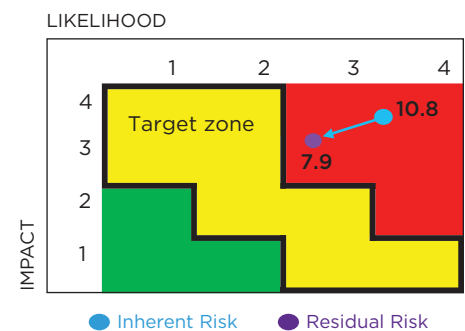
Many activities are currently being undertaken to reduce the likelihood and/or impact of the City's strategic risks. The following tables are current snapshots of the risk levels with mitigation activities (residual) compared to the risk levels if these activities were not initiated (inherent).

HIGH PRIORITY STRATEGIC RISKS

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

Key current risk mitigation activities:

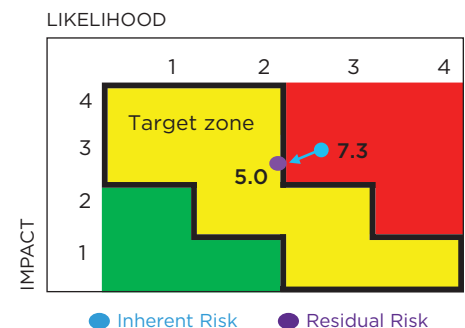
- Long-term financial plan approved by City Council and updated annually
- Return on investment from civic utilities
- Service level reports submitted to City Council provide options to reduce funding requirements
- Dedicated levies to fund specific infrastructure deficits
- Continued review of development levies and principle of "growth pays for growth"
- Options on alternative revenue sources considered as part of the 2018 Business Plan and Budget process



➤ 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
- Increased funding levels
- Financial management strategies developed
- Winter maintenance, summer maintenance and street cleaning/sweeping levels of service approved by City Council and monitored on an ongoing basis
- Improvements in workflow management process and resource optimization model
- Program design changes and proactive maintenance approach implemented to improve performance

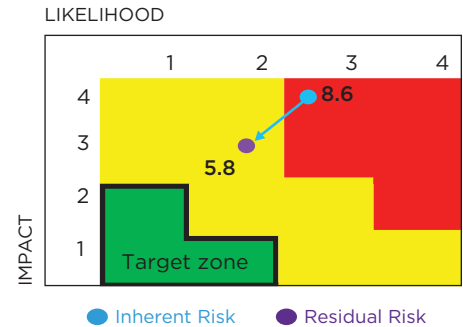


HIGH PRIORITY STRATEGIC RISKS

- 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:

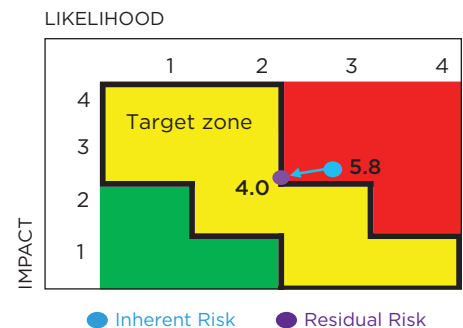
- Emergency Operations Center established and Mobile Command Unit operational
- Mass notification system implemented and periodically tested
- Corporate Security Strategy developed and dedicated resources assigned to implement
- Internal audit of business continuity planning completed and recommendations being implemented
- Emergency Management Planning Committee re-established
- Corporate training opportunities in Incident Command, Mobile Command and Business Continuity Management expanded



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

Key current risk mitigation activities:

- Implemented internet publishing and electronic agenda systems
- Regularly utilize Citizen Advisory Panel
- Launched "Engage! Saskatoon" for easier citizen access to engagement information and opportunities
- Established Community Engagement section and hired section manager and consultants to support large corporate initiatives
- Formalized processes for internal and external engagement to ensure consistency and effectiveness
- Indigenous Technical Advisory Group developed for launch in 2019

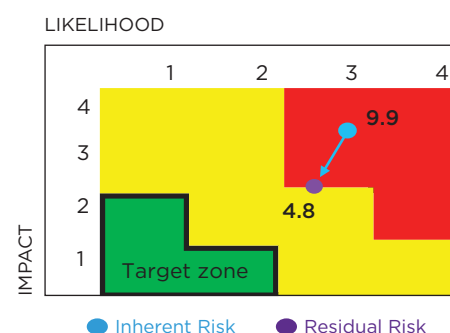


MEDIUM PRIORITY STRATEGIC RISKS

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

Key current risk mitigation activities:

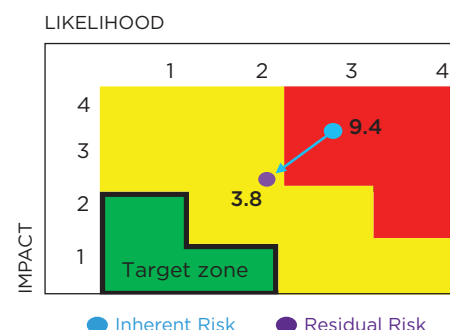
- Asset management plans have been developed in several key asset categories
- Additional funding has been approved for certain asset categories based on the asset management plans
- Corporate Asset Management Policy, Strategy and Governance Framework and training program are being developed
- Life cycle costing methodology is being applied to all public-private partnership (P3) projects
- Internal audit complete; recommendations are being implemented



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

Key current risk mitigation activities:

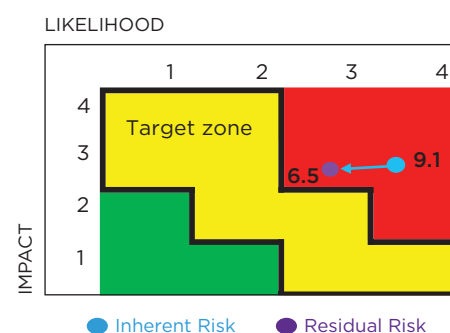
- Growth Plan to Half a Million approved by City Council; major infrastructure investments are being aligned with the Growth Plan's directions and strategies
- Frequent and ongoing monitoring of market conditions, economic indicators and financial resources
- Long-term infrastructure plans developed 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:

- Fleet renewal strategy and asset management plan investments have brought average fleet age in line with industry average
- Infrastructure funding secured
- Final Bus Rapid Transit routing pending City Council direction
- High-frequency transit routes implemented along several corridors

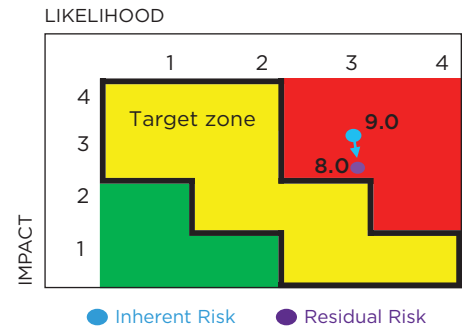


MEDIUM PRIORITY STRATEGIC RISKS

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

Key current risk mitigation activities:

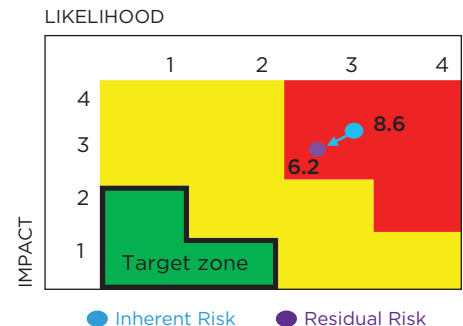
- Convenient and easy-to-use waste diversion programs have been launched, more being developed
- Implemented waste collection route optimization software
- Comprehensive community-wide waste study completed
- Ongoing education and awareness campaigns to reduce contamination and increase diversion
- New sustainable business model being developed



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

Key current risk mitigation activities:

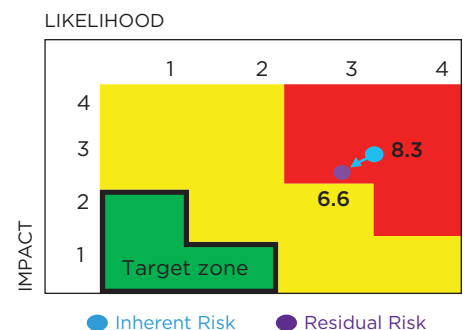
- Current state assessment and three year strategic roadmap completed
- Contingency plans (manual processes, work arounds) have been established at the business unit level
- Secondary data center has been established for essential applications and services
- Enterprise Resource Planning/Enterprise Asset Management system being procured to provide integrated platform for all core business functions



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

Key current risk mitigation activities:

- New vision, mandate and organizational structure for IT Division
- Provided training for IT staff in business analysis, project management, etc.
- Introduced new Service Desk tool
- Concerted efforts to ensure IT is aligned with business units, needs and outcomes

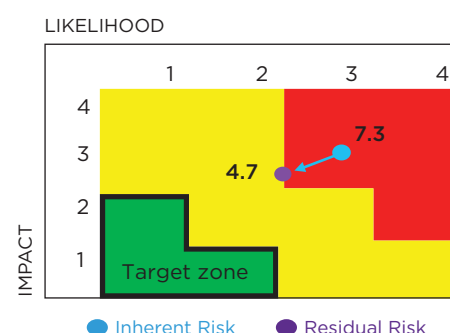


MEDIUM PRIORITY STRATEGIC RISKS

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

Key current risk mitigation activities:

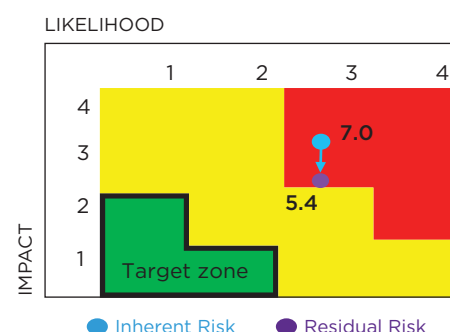
- Environmental Implications section in corporate report templates
- Revised roadway design standards consider severe/prolonged weather events
- Stormwater superpipe capacity improvements
- Developed predictive model with University of Saskatchewan regarding rainfall to identify infrastructure constraints
- Consideration of climate change incorporated into asset management plans, policy and strategy



➤ 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:

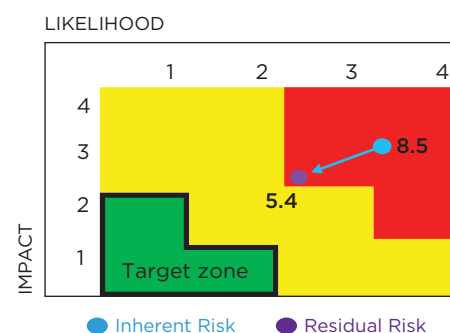
- Request for Proposals issued for core corporate financial system (Enterprise Resource Planning) to provide integrated platform for all core business functions
- Developing enterprise strategies and programs to encompass asset management, data management and business intelligence
- Developed IT Strategic Business Plan



➤ 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:

- Business Intelligence was implemented in Human Resources to enable diversity analytics; data capabilities regarding absenteeism, safety and overtime are in development
- Learning Management System implemented
- Mandatory supervisor training program implemented
- Transformational HR strategy has been developed and implementation has begun

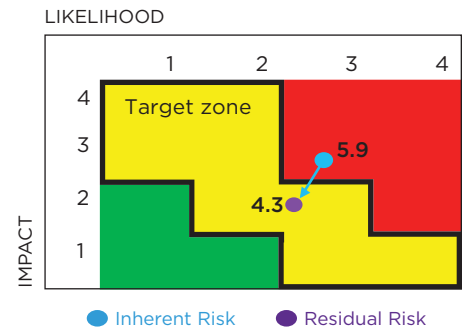


MEDIUM PRIORITY STRATEGIC RISKS

- 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:

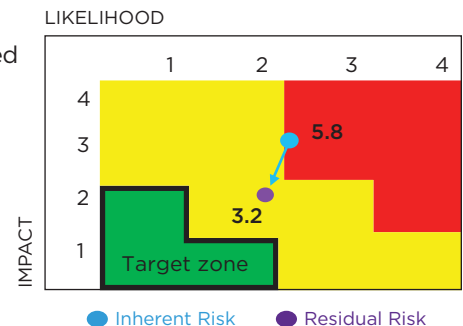
- Completed Recreation & Parks Facilities Game Plan
- Increased funding from existing sources
- Asset management plan prepared for key parks assets
- Service level report approved by City Council
- Internal audit completed
- Satellite maintenance facilities established



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

Key current risk mitigation activities:

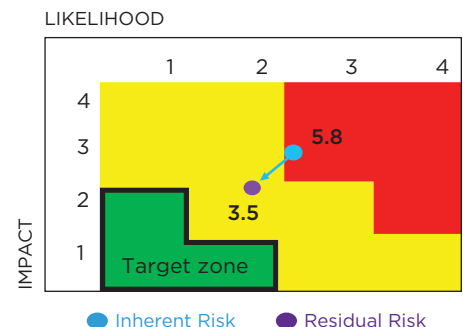
- Information management and governance policies have been developed
- An access and privacy framework and associated policies have been developed
- Administrative processes/procedures are in place governing user access privileges and information handling
- Privacy Impact Assessment process in place and periodically reviewed
- IT security threat analyses and assessments have been completed and improvements are being pursued
- Internal audit being conducted



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

Key current risk mitigation activities:

- Continued implementation of risk management program
- Strategic risk registers prepared and updated annually
- Consideration of risks in 2019 strategic business planning process
- Corporate Risk Appetite approved by City Council
- Risk management and risk appetite incorporated into corporate report template

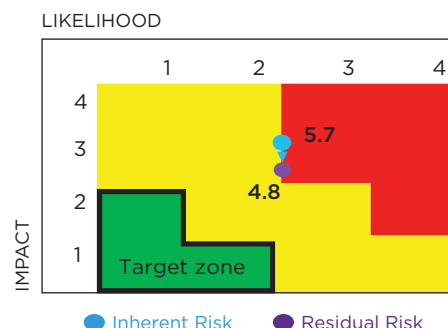


MEDIUM PRIORITY STRATEGIC RISKS

- 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:

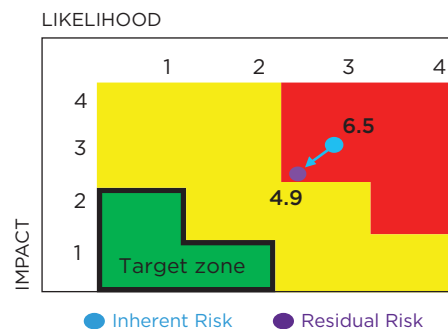
- Strategic Plan updated and City Council priorities identified
- Multi-year business plan and budget project underway
- Business Plan Options process links civic initiatives to Council priorities
- Revamped citizen engagement approach based on multi-year business plan and budget



- 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:

- Cyclical building condition assessments conducted
- Customer service agreements prepared and regular customer service meetings conducted
- Annual review of Civic Building Comprehensive Maintenance (CBCM) Reserve
- Asset management plan being developed
- Utilizing maintenance and operational data to improve analytics and planning

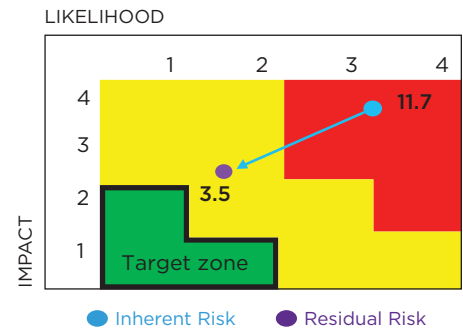


LOW PRIORITY STRATEGIC RISKS

- 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:

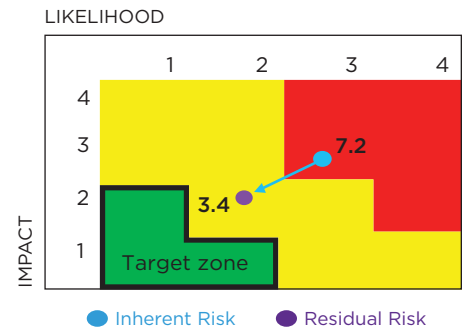
- Member of the Saskatoon North Partnership for Growth (P4G)
- Governance and administrative structures developed for regional plan implementation
- Ongoing participation in Corman Park – Saskatoon Planning District



- 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:

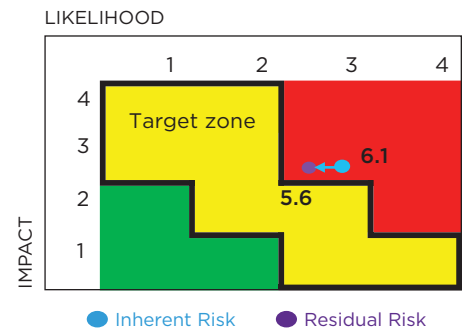
- Completed Civic Service Review and implementing recommended improvements
- Review of business model underway
- Asset management plan prepared
- Comprehensive reserve sufficiency analysis undertaken
- Customer service agreements developed with significant customer groups



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

Key current risk mitigation activities:

- Corporate greenhouse gas emission reduction target adopted
- Annual Corporate Environmental Performance report
- Environmental Implications section in corporate report template
- Several initiatives undertaken to date (e.g., LED fixtures for street/park lighting, solar power demonstration project, single-stream recycling at civic facilities, waste collection route optimization, water management practices, landfill gas power generation facility, etc.)
- Internal audit completed and recommendations being implemented

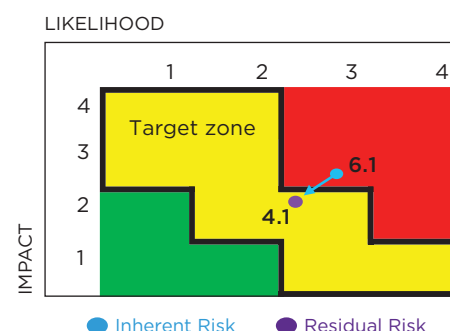


LOW PRIORITY STRATEGIC RISKS

- 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:

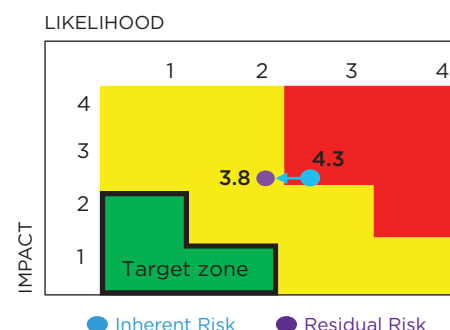
- Signed the Global Covenant on Energy and Climate
- Developed community greenhouse gas emission inventory; reduction target has been approved
- Waste diversion target adopted by City Council
- Conservation, recycling and waste diversion education programs are provided to citizens
- New waste diversion programs are being developed (e.g. Recovery Park, city-wide organics)



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

Key current risk mitigation activities:

- New procurement policy and procedures approved and implemented
- Procurement training and awareness sessions have been provided to staff



5 OBJECTIVES FOR 2019

Building on the successes achieved to date, 2019 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

- **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.
- A meaningful combination of **qualitative and/or quantitative metrics** will be developed to measure and monitor actual performance in relation to the corporate risk appetite.
- The **Risk Based Management Policy** will be reviewed and updated as required to ensure consistency with the revised ISO 31000 standard.
- The **Terms of Reference** of the Corporate Risk Committee will be reviewed and updated as required.

Communicate risk information throughout the City

- Additional **education and informational material** will be developed and shared throughout the organization.



NOTES

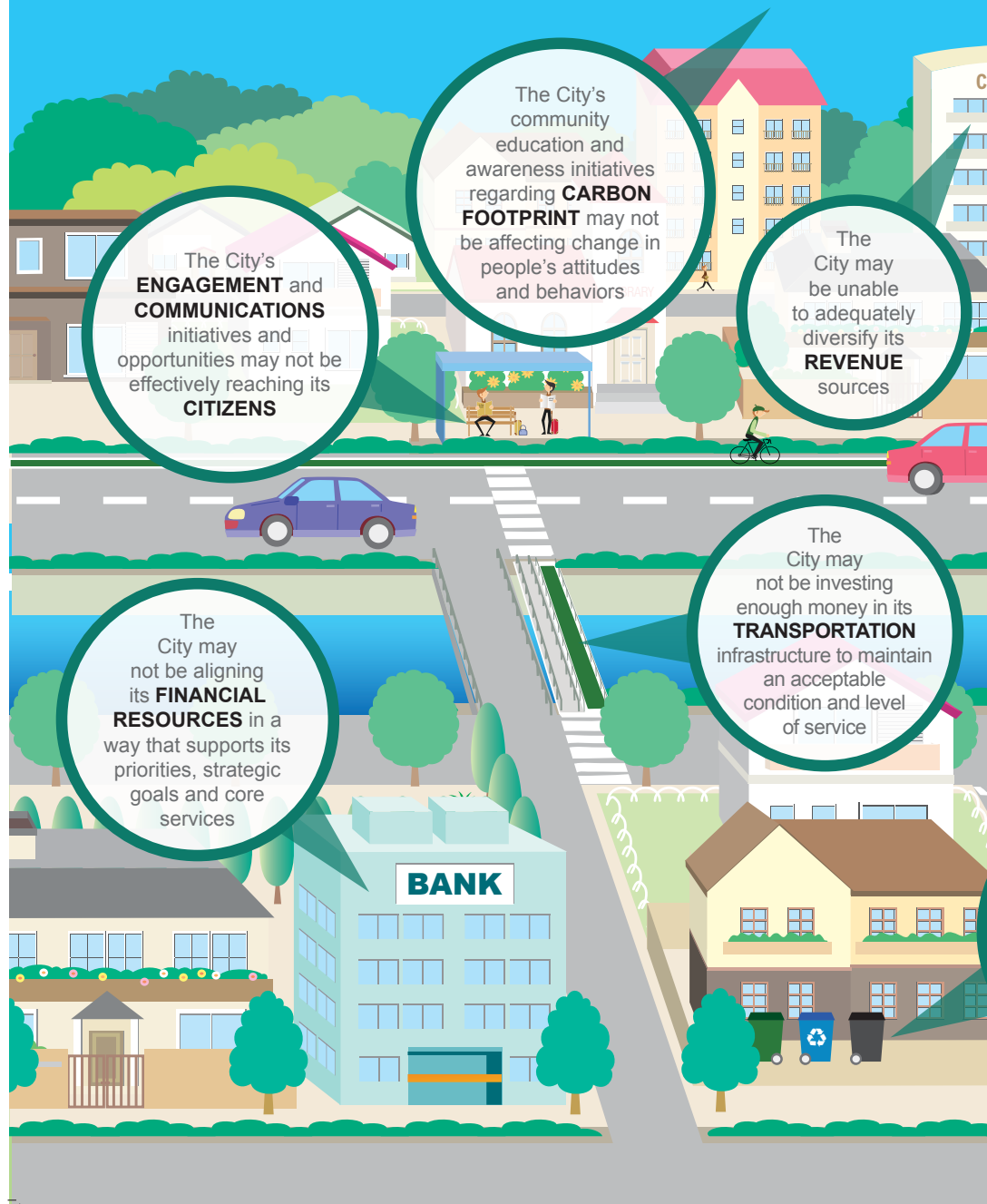
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City of Saskatoon

Corporate Risk

Risk is necessary for improvement, a wide variety of programs and projects involve risk.



ary for growth and
and providing a
essential services
to 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.





saskatoon.ca