SUBJECT: Risk governance strategy

TO: Corporate Services, Strategy, Risk & Accountability Cttee.

FROM: City Manager's Office

Report Number: CM-34-20

Wards Affected: N/A

File Numbers: 430-01

Date to Committee: December 10, 2020

Date to Council: December 14, 2020

Recommendation:

Approve the risk governance strategy as provided in Appendix A of City Manager's office report CM-34-20; and

Approve the City of Burlington's enterprise risk governance and management policy as provided in Appendix B of City Manager's office report CM-34-20.

PURPOSE:

Vision to Focus Alignment:

- Increase economic prosperity and community responsive city growth
- Improve integrated city mobility
- Support sustainable infrastructure and a resilient environment
- Building more citizen engagement, community health and culture
- Deliver customer centric services with a focus on efficiency and technology transformation

Background and Discussion:

City of Burlington staff has historically implemented a fulsome program focused on Operational risk. This program is ongoing and focuses on our operational risks, things such as our cash handling processes and winter control maintenance to name just a few. This program identifies and deals with our operational risk and we have developed

policies, templates and risk management practices. This program involves our internal audit function and reports to Audit Committee based on best practices and management plans to reduce or mitigate our operational risks.

In 2013, the Council approved the first Enterprise Risk Management Policy (CM-10-13) and has subsequently updated the policy in 2015 (CM-05-15) and again in 2018 (CM-4-18). This policy provided direction to management and staff regarding the expectations of identifying, documenting and reporting risks within projects, programs and initiatives. While the policy was in place, the implementation of programs to monitor compliance was minimal resulting in inconsistent risk management practices particularly across projects, programs and initiatives outside of regular service delivery.

In 2015, the introduction of service business plans provided the opportunity for Staff to identify both risks and opportunities in the service areas; furthering the development of risk awareness and how risks, once identified, can be monitored and mitigated. Our project management practices have included regularly reporting on risks in relation to their projects to the relevant Steering Committees. In June 2020, corporate project managers implemented regular reporting of project status, including risks, to Committee.

In 2016, the City enhanced its Enterprise Risk Management (ERM) program to elevate our view and discussion on risk to those risks which are more corporate in nature (CM-16-16). This review produced a top ten risk register for those risks that effect or have the potential to affect the corporation and many of our businesses and services. This register was also regularly reported to Audit committee and is used as a lens on our city budgets. In current ERM practices, the use of the top 10 risks is becoming obsolete. In its place, a more rigorous process of embedding risk assessment into strategic planning is becoming the norm.

Strategy/process

2020 brought a renewed focus on risk and strategy through the introduction of the risk and strategy team and the Executive Director of Strategy, Risk and Accountability position. To enhance risk management at the City of Burlington, we first focused on developing a Risk Governance Strategy and new Risk Management Policy. This Risk Governance Strategy can be found in Appendix A, and the Enterprise Risk Governance and Management Policy can be found in Appendix B.

The next evolution for us as a corporation and staff is to have a risk lens on our strategies, strategic plan and Vision to Focus (V2F). This allows for a full understanding of risk and opportunity. It will inform key decisions, option evaluation, resource allocation and assist with priority setting. It will make very clear to council and staff what we need in order to deliver on our plans, what potentially may cause us difficulties and therefore what we need to focus on

With the importance of delivering the actions contained in V2F to both council and the community, applying a risk lens will help staff to anticipate and fully understand what could get in our way of delivering the plans so that we can be prepared, be resilient and more agile.

The Risk Governance Strategy and updated Enterprise Risk Governance and Management Policy lay the foundation for raising awareness and understanding of risk management. This sets the stage for implementation where there is opportunity to refine and enhance existing tools, templates and processes to identify, assess, monitor and report risk in operations, projects, processes, initiatives and strategic objectives.

Financial Matters:

Not applicable

Climate Implications

Not applicable

Engagement Matters:

A workshop was held November 24, 2020 to engage Council, the Burlington Leadership Team and the citizen members of the Audit Committee and seek their input into the strategy and policy before bringing it forward for approval. Input was also provided by the members of the Strategy and Risk Team, the Burlington Leadership Team and the Corporate Projects Group at various points throughout the development of the strategy and policy. Staff led several exercises that enabled participation and input into the Strategy and Policy that are attached today for approval.

Conclusion:

In order to move our organization forward in the area of Risk Management, we are seeking the approval of the Governance Risk Strategy and the Enterprise Risk Governance and Management Policy as attached to report CM-34-20.

Respectfully submitted,

Leah Bisutti

Manager of Strategy and Policy

Corporate Strategy Team

(905) 335-7600, ext. 7790

Appendices:

A. Risk Governance Strategy

B. Enterprise Risk Governance and Management Policy

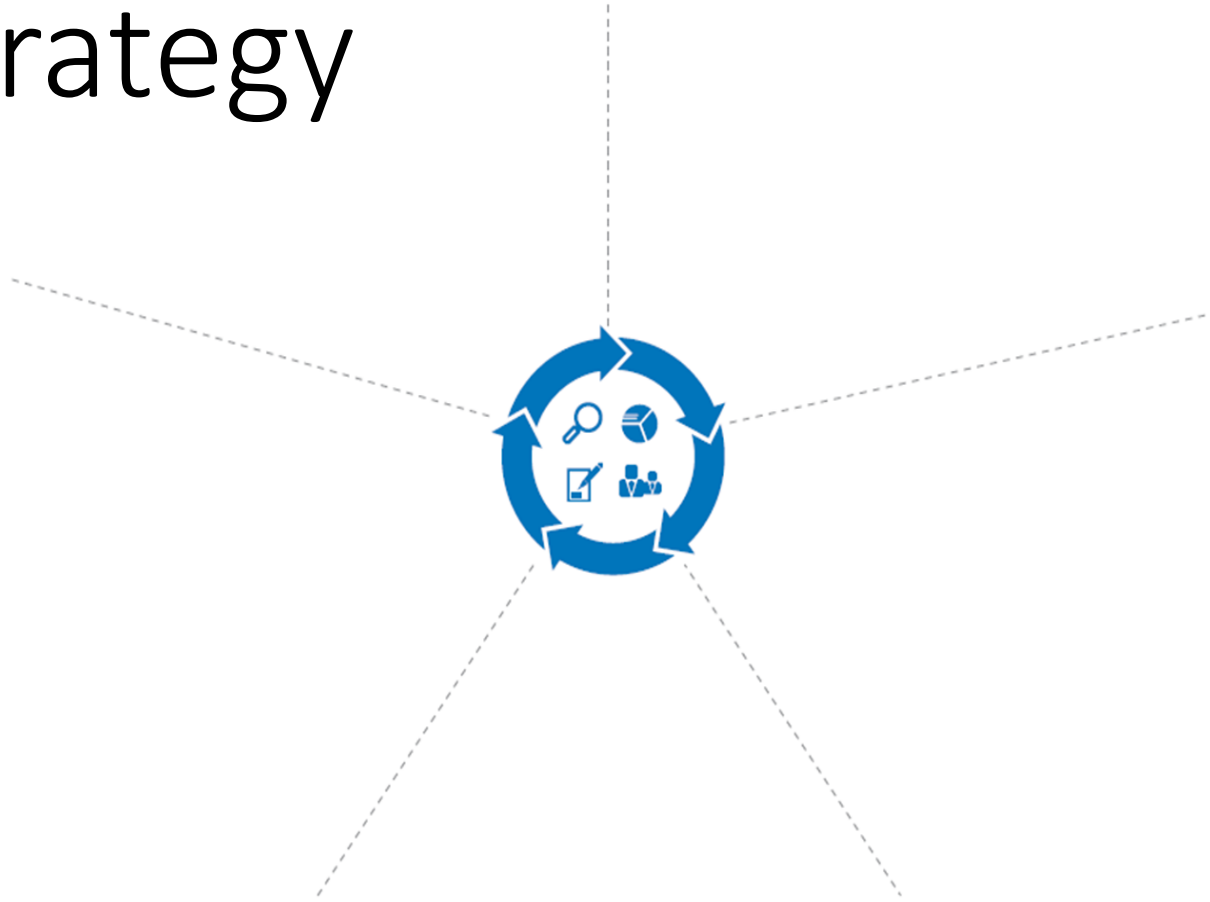
Notifications:

Audit Committee – Resident Representatives

Report Approval:

All reports are reviewed and/or approved by Department Director, the Chief Financial Officer and the Executive Director of Legal Services & Corporation Counsel.

Risk Governance Strategy



Leah Bisutti

Manager of Strategy & Policy

December 10, 2020 CSSRA

City of Burlington Risk Governance Vision

The City of Burlington will be a Municipal leader in Risk Governance

Mission Statement:

The City of Burlington is committed to establishing Enterprise Risk Management (ERM) systems and processes to ensure its strategic goals and corporate governance responsibilities are met. Risk management is integral to good management practice and effective corporate governance and is necessary to ensure decisions are made with sufficient information about risks and opportunities.

Introduction:

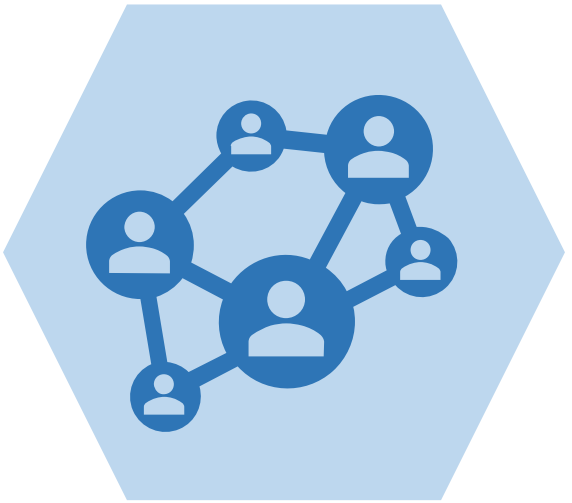
Effective risk management is essential to assisting the city in achieving our strategic objectives.

All organizations face both external and internal risks. Risk is defined as the possibility that events will occur and affect the achievement of strategy and business objectives. (COSO 2017)

We define enterprise risk management as a coordinated set of activities and processes to identify, assess, mitigate, monitor and report on risks.

Enterprise Risk Management (ERM) is important to our success and needs to be imbedded throughout our organization—because risk influences and aligns strategy and performance across all departments and functions.

Risk Governance Principles:



- Enable better decision making
- Take care of our community, our staff and our assets
- Champion and model risk leadership
- Enable and encourage an innovative culture
- Support and foster sustainable continuous improvement
- Encourage and evolve our employee's understanding of risk management
- Support the achievement of our strategies, business plans, projects and activities
- Provide policies, tools and processes related to risk to guide staff across the organization
- Use COSO's "*Enterprise Risk Management – Integrating with Strategy and Performance*" (2017) as our framework foundation

Governance and Decision Making:

Council is responsible for overseeing the complete risk governance function for the City. They establish overarching strategic goals, approve our city budgets and have oversight of, and approve, our organization wide risk governance framework and our strategic vision. Risk decision-making authority within policy parameters.

Audit Committee provides oversight of our risk management program on behalf of council. They are responsible for our internal control system, including the ERM process. Risk decision-making authority within policy parameters.

SRT endorses our risk governance framework and policies, sets Enterprise Risk Management expectations, strategies and accountability. It reports on the effectiveness of risk management to Council. Risk decision-making authority within policy parameters.

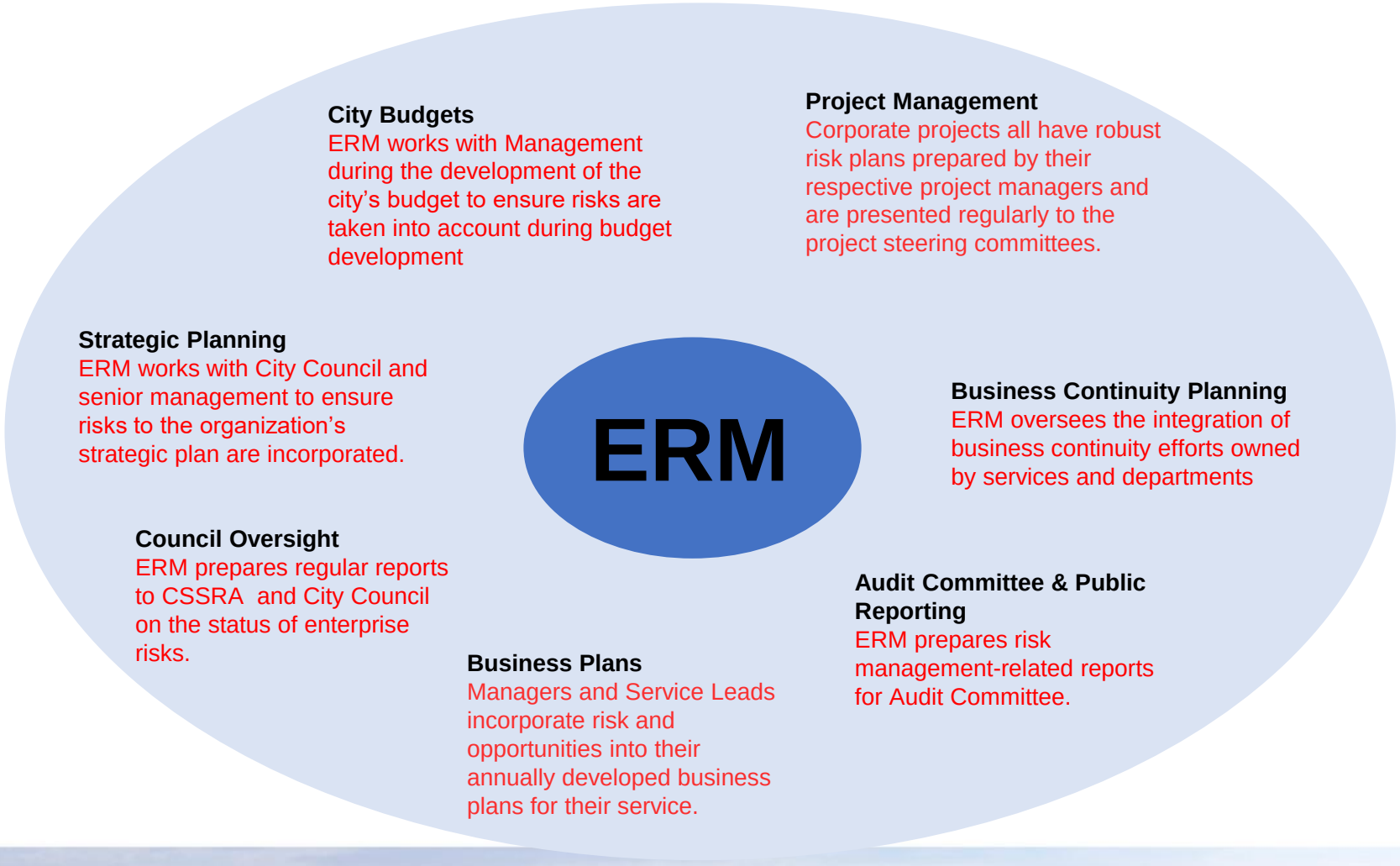
BLT promotes the importance of risk management within the city, assists with establishing clear expectations of staff in regards to risk. Risk decision-making authority within policy parameters.

Risk Governance Manager reports regularly to management and Council on risk, facilitates risk practices across organization, provides tools, templates, information and materials, coaching and guidance.

Risk Owners utilize the policies and the tools, templates and materials to assess, monitor and report on risk in their business plans, projects and activities. Risk decision-making authority within policy parameters.

ERM's Involvement in City of Burlington's Corporate Governance

ERM plays a vital part in The City's corporate governance processes to ensure proper consideration of risk management.



City Budgets
ERM works with Management during the development of the city's budget to ensure risks are taken into account during budget development

Project Management
Corporate projects all have robust risk plans prepared by their respective project managers and are presented regularly to the project steering committees.

Strategic Planning
ERM works with City Council and senior management to ensure risks to the organization's strategic plan are incorporated.

Business Continuity Planning
ERM oversees the integration of business continuity efforts owned by services and departments

Council Oversight
ERM prepares regular reports to CSSRA and City Council on the status of enterprise risks.

Audit Committee & Public Reporting
ERM prepares risk management-related reports for Audit Committee.

Business Plans
Managers and Service Leads incorporate risk and opportunities into their annually developed business plans for their service.

These areas of risk are not fully inclusive, nor do they cover the complete breadth of the role of ERM at the City.

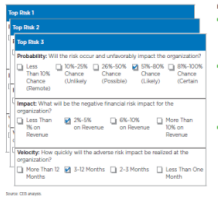
ERM Process Overview

Risk Identification

The process by which management identifies risks affecting the organization.

Risk Assessment

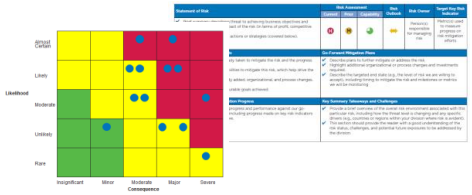
The application of quantitative and qualitative methods to assess the magnitude of risk exposures.



Communication, Training & Education

Risk Reporting

The communication of risk information to stakeholders that enables them to perform their oversight responsibilities and make risk-informed decisions.

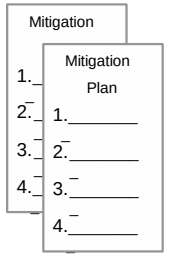


Risk Monitoring

The real-time or periodic system for monitoring changes in the probability of a risk occurring or the impact of a risk should it occur.

Risk Mitigation

The process and documentation of identifying and executing risk responses to minimize the probability of a risk occurring or the impact of a risk should it occur.



Corporate Policy

General

Enterprise Risk Governance and Management Policy

Approved by Council on: December 14, 2020

Report Number: CM-34-20

Effective: December 14, 2020

Reviewed on: MMMM d, yyyy

Amended: MMMM d, yyyy

Next Review: December 14, 2022

Note: Replaces Enterprise Risk Management Policy, As amended Feb. 20, 2018

Mission Statement:

The City of Burlington is committed to establishing enterprise risk management (ERM) systems and processes to ensure its strategic goals and corporate governance responsibilities are met. This policy recognizes that risk management is integral to good management practice and effective corporate governance and is necessary to ensure decisions are made with sufficient information about risks and opportunities.

Policy Statement:

The purpose of this policy is to describe the City of Burlington's enterprise risk governance and management philosophy and the processes and practices that are in place to identify, communicate, and manage risks across the organization. The policy also ensures that responsibilities have been appropriately delegated for risk management.

The City of Burlington will manage risks giving consideration to:

- Our employee values
- City of Burlington’s Strategic Plan 2015-2040
- Philosophy and culture of innovation
- Legislative requirements
- And this policy.

Corporate Policy

Scope:

This policy applies to all Council and employees of The City of Burlington in all parts of the organization.

Objectives:

- Establish a consistent and systematic approach to identify, assess, mitigate, monitor, and report on strategic, business, project, and operational risks.
- Establish a clear understanding of Council and employee risk management roles and responsibilities including decision making.
- Establish a framework that encourages and supports innovation and assists management in making appropriate decisions.
- Encourage Council and employees to communicate openly about risk.
- Provide Council and employees with appropriate risk management education and training in order to understand and manage risk.
- Provide policies and procedures to guide Council and employee actions relating to specific risks within our organization.

Principles:

City of Burlington's Risk Governance Vision:

The City of Burlington will be a Municipal leader in Risk Governance.

Risk Tolerance:

The City delivers a diverse range of services to its residents and community. To provide these services, the City must accept some level of risk. The City therefore is willing to accept and take on some risk to support innovation, develop creative service delivery solutions and in the pursuit or efficiency and effectiveness. The City may sometimes decide to limit and even avoid certain risks. The risk tolerance levels will be assessed and determined on a case by case basis, while encouraging and supporting the overall goals of entrepreneurship, effective management and innovation.

Responsibilities:

Burlington City Council: Council is responsible for overseeing the complete risk governance function for the City. They establish overarching strategic goals, approve our city budgets and have oversight of, and approve, our organization wide risk governance framework and our strategic vision. Risk decision-making authority within policy parameters.

Audit Committee: Audit Committee provides oversight of our risk management program on behalf of council. They are responsible for our internal control system, including the ERM process. Risk decision-making authority within policy parameters

Strategy and Risk Team (SRT): SRT endorses our risk governance framework and policies, sets Enterprise Risk Management expectations, strategies and accountability. It reports on the effectiveness of risk management to Council. Risk decision-making authority within policy parameters.

Executive Director of Strategy Risk and Accountability: The ED is responsible for coordinating the development of the organization's overall risk management framework, including the policies, standards and procedures, organizational arrangements, and reporting requirements to Council, Audit Committee, and SRT.

Burlington Leadership Team (BLT): BLT promotes the importance of risk management within the city, assists with establishing clear expectations of staff in regards to risk. Risk decision-making authority within policy parameters.

Manager Risk Governance: Risk Governance Manager reports regularly to management and Council on risk, facilitates risk practices across organization, provides tools, templates, information and materials, coaching and guidance.

Risk Owners: Risk Owners utilize the policies and the tools, templates and materials to assess, monitor and report on risk in their business plans, projects and activities. Risk decision-making authority within policy parameters. This includes:

- Maintaining documented risk identification, assessment, and reporting processes to support this policy.
- Regular and timely reporting on the outcomes of the ERM process.
- Appropriate input to the Strategy & Risk Team.
- Dedication of appropriate resources to risk management activities.

Internal Audit: Internal Audit remains independent of the ERM process and provides independent assurance on the adequacy of the risk management arrangements in place.

Risk Champions/Liaisons: Risk Champions/Liaisons work with the ERM function to provide regular updates on emerging risks to the business. They also share relevant risks with leaders within their business units.

The Risk Management Process:

The ERM Process shall be directly linked to the organization's strategic planning and other risk management activities.

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Risks shall be managed at all levels of the organization. The formal ERM process is focused on identifying those risks that pose the greatest threat to the organization's ability to achieve its mission and objectives. The ERM process shall be integrated with other internal risk assessments (e.g., internal audit, fraud, Insurance, compliance). Specific findings from various risk assessments will provide input into the overall enterprise risk profile.

The process includes: Risk identification, Risk assessment, Risk mitigation, Risk monitoring and Risk reporting

Risk Management Framework:

Corporate Policy

The ERM process and framework at City of Burlington will be based on our own internally developed framework, based on Enterprise Risk Management: Integrating with Strategy and Performance from COSO, June 2017.

References:

Enterprise Risk Management: Integrating with Strategy and Performance from COSO, June 2017

Roles:

Accountable:

The Executive Director of Strategy, Risk and Accountability is accountable for this policy.

Responsible:

The Corporate Strategy and Risk Manager is responsible for this policy. This policy will be reviewed and amended every 2 years to adapt to the organization's changing risk management needs.