Introduction to Objective-Centric Risk Management

Burlington City Council

Workshop

January 28, 2020

Creating an effective organization to serve our community

Emphasis on strategic management, risk assessment and management, and public accountability

- Strategy, Risk & Accountability group
- Strategy & Risk Team (Executive Leadership)
- Corporate Services, Strategy, Risk & Accountability (CSSRA) standing committee of Council

Alignment of services along strategic lines

- Environment, Infrastructure and Community Services
  - Capital Works,
  - Fire,
  - Roads Parks & Forestry,
  - Recreation Services
- Community Planning, Regulation & Mobility
  - Community
  - Transit,
  - Transportation
  - Building & By-law

Strengthening of corporate services strategic leadership through position enhancements

- Chief Financial Officer
- Executive Director Human Resources
- Chief Information Officer Executive Director Legal Services & Corporate Counsel
- Executive Director Legal Services & Corporate Counsel
- Director Corporate Communications & Government Relations

Emphasis on customer experience through strategic leadership

- Executive Lead – Customer Experience
- Focused Customer Experience Manager on Business Development
- Focused Customer Experience Manager on Service Burlington

Standing Committees

Environment, Infrastructure & Community Services

- matters under the jurisdiction of Capital Works, Recreation Services, Roads, Parks & Forestry, and Fire
- matters from Burlington Accessibility Advisory Committee (BAAC), Art Gallery of Burlington (AGB), Burlington Mundialization Committee, Burlington Museums Board, Burlington Performing Arts Centre (BPAC), Burlington Public Library Board (BPL), Burlington Seniors' Advisory Committee (BSAC), and Tourism Burlington

Community Planning, Regulation & Mobility

- matters under the jurisdiction of Community Planning, Building, Transit, and Transportation Services
- public hearings pursuant to the Planning Act, RSO 1990, c. P.13, as amended.
- matters from Aldershot BIA, Burlington Chamber of Commerce, Burlington Downtown Business Association, Burlington Economic Development Corporation (BEDC), Committee of Adjustment, Heritage Burlington Advisory Committee, Integrated Transportation Advisory Committee (ITAC), Burlington Cycling Advisory Committee, Burlington Sustainable Development Committee (SDC), Downtown Parking Advisory Committee, and Property Standards Committee

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Standing Committees

Audit Committee

- the proper environment for management of public funds, including appropriate financial reporting, policies and controls and the efficiency and effectiveness of the utilization of the City's resources on programs and projects;
- the annual financial statements
- all external and internal audit matters, including selection of the external auditor, the annual audit of the City's financial statements and matters recommended by the external auditor, and
- compliance with laws, regulations

Corporate Services, Strategy, Risk & Accountability

- matters under the jurisdiction of the City Manager's Office, Clerks, Finance, Legal, Information Technology Services, Human Resources, Corporate Communications & Government Relations, and Customer Experience
- the current and capital budgets
- all public meetings under the Development Charges Act, 1997, S.O. 1997, c. 27
- matters arising from Burlington Hydro Electric Inc. (BHEI) and Burlington Inclusivity Advisory Committee (BIAC)
- Burlington Strategic Plan (25-year plan) and Vision to Focus (4-year plan)
- Risk management

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Tim Leech, FCPA CIA CRMA CCSA CFE

Managing Director, Risk Oversight Solutions Inc.

Over 30 years of experience in the risk governance, internal audit, IT, and forensic accounting/litigation support fields helping clients around the world with internal audit transformation initiatives and the design, implementation, and maintenance of integrated and more powerful ERM/IA methodology and technology frameworks

- Experience includes:
  - setting up a new business unit in Coopers & Lybrand, "Control & Risk Management Services";
  - founding, building, and successfully selling CARD®decisions, a global risk and assurance consulting and software firm, to Paisley/Thomson Reuters and serving as their Chief Methodology Officer ;
  - developing and successfully releasing CARD®map, the world's first integrated risk and assurance software.
  - developing and delivering training on IIA IPPF Standard 2120 to equip internal auditors to assess and report on the effectiveness of risk management processes

- the author of a number of publications including:
  - the Conference Board Director Notes December 2012 publication "Board Oversight of Management's Risk Appetite and Tolerance",
  - January 2014 "Risk Oversight: Evolving Expectations for Boards",
  - "Paradigm Paralysis in ERM and Internal Audit" in the summer 2016 issue of Ethical Boardroom
  - "Reinventing Internal Audit", published in the April 2015 issue of Internal Auditor magazine
  - "Is Internal Audit the Next Blackberry?" published in the ACCA Internal Audit Bulletin

- "Objective Centric Risk & Certainty Management" (OCRCM) focussed on helping organizations design, implement and maintain strong 1st line risk governance frameworks that integrate strategic planning, ERM and Internal Audit

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Why are we focusing on strategy & risk?

- Enhancing risk governance
  - Expands lens of existing risk management practices to strategic objectives
  - Promotes clarity of objectives to support identification of risks
  - Supports greater understanding of certainty of achieving objectives in Vision to Focus
  - Establishes ownership and sponsorship of strategic objectives within Burlington Leadership Team
  - Focuses on monitoring environment (not risks) for changes and affect on impact on achieving strategic objectives

Committees and Strategy & Risk Reports

Committee	Q1 2020	Q2 2020	Q3 2020	Q4 2020
Corporate Service, Strategy, Risk & Accountability (CSSRA)		- V2F Reporting	- Enterprise Risk Governance Strategy & Implementation Plan - Process for 2021 V2F re-calibration	- V2F Reporting with risk assessment - Alignment of responsibilities with Audit Committee
Audit Committee	- Internal Audit Resourcing Recommendation			- Alignment of responsibilities with CSSRA

Context For This Objective

Burlington maintains its ranking as the #1 city to live in Canada

- Example only

- Intended to demonstrate application of objective-centric risk assessment

- Has elements of internal and external influences and factors to provide orientation to strategic risks and impacts (e.g. reputation)

Strong Risk Governance Introduction January 28, 2020

Tim Leech, Managing Director

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Strong Risk Governance Introduction

- What is "Strong 1st Line Risk Governance?
- How is it different?
- Core tools
- Why is it important to the City?
- What are the roles of the key players?
- What are the benefits?
- Examples from the public sector
- Burlington Vision to Focus examples
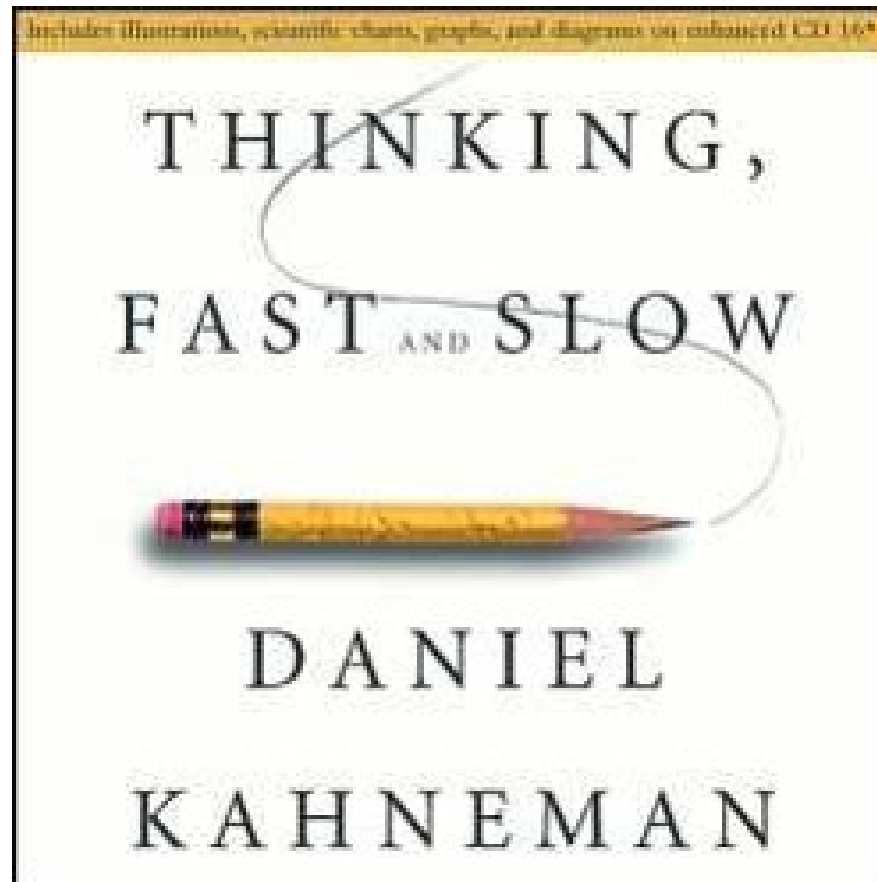
What is Strong 1ˢᵗ Line Risk Governance?

Simply described, in a strong 1ˢᵗ line risk governance model management (the 1ˢᵗ line) is responsible for managing risks that effect the achievement of key strategic and value preservation objectives and, and this is the big differentiator, having the necessary skills, motivation, and time to regularly assess and report upwards to Council on the certainty/risk status linked to key objectives

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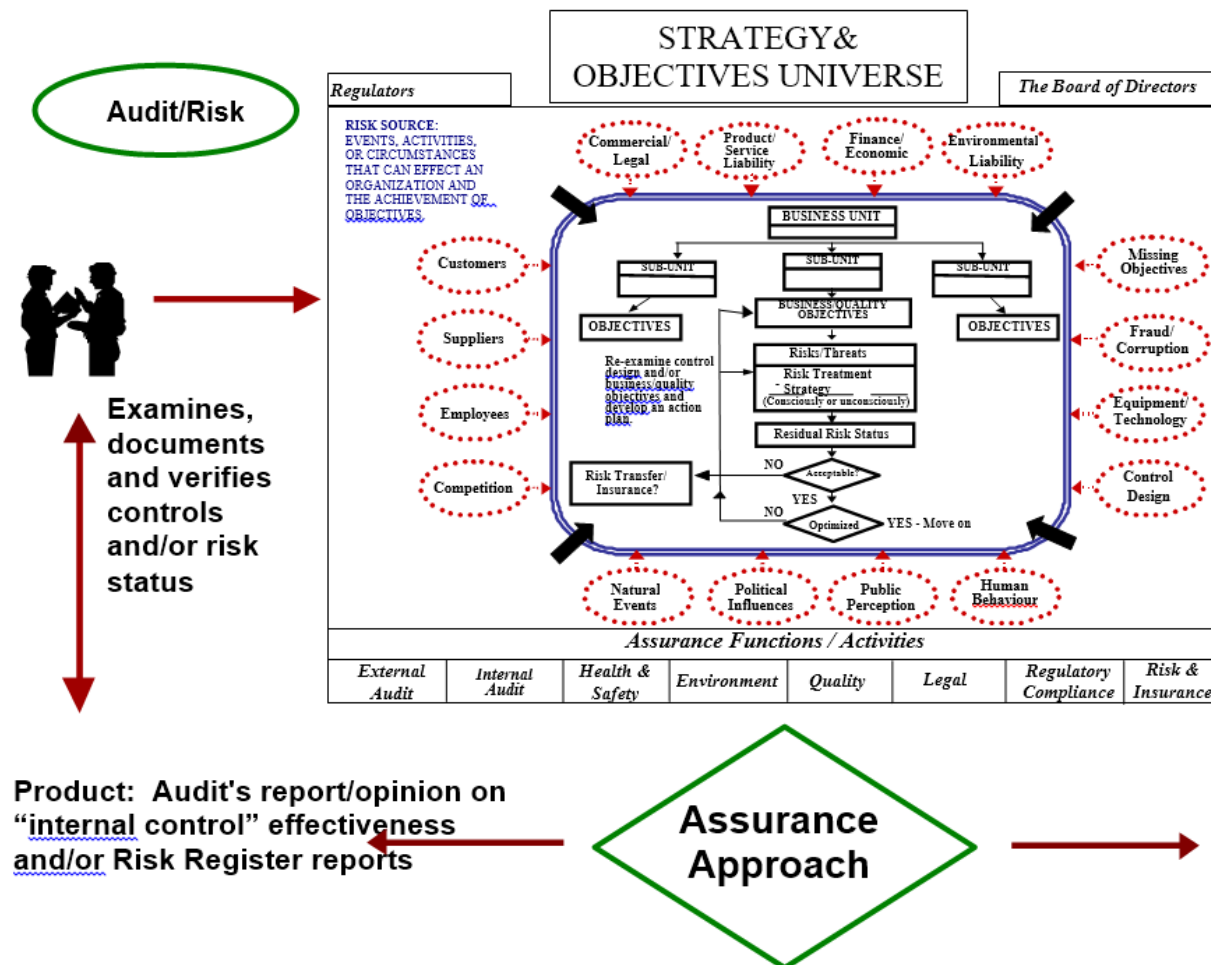
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What is Strong 1ˢᵗ Line Risk Governance?

Simply put, it is about making good decisions on when to use intuition and informal methods to manage risks to important objectives; and when to apply more rigour to identify, assess, and treat risks to increase certainty key objectives will be achieved
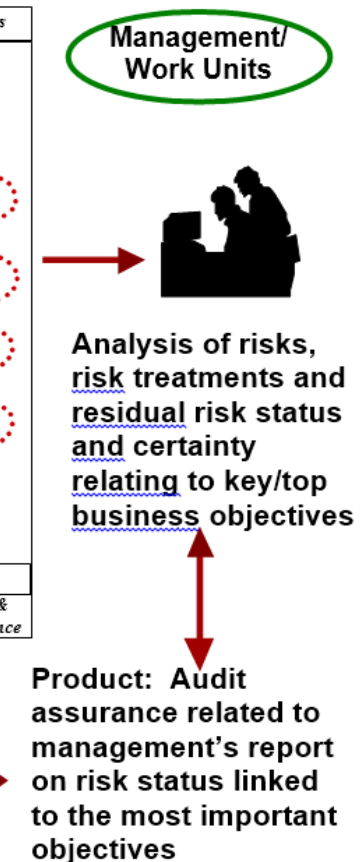
How is it different?

Traditional Methods

Audit/Risk

Examines, documents and verifies controls and/or risk status

Product: Audit's report/opinion on "internal control" effectiveness and/or Risk Register reports

Objective Centric Self-Assessment

Management/ Work Units

Analysis of risks, risk treatments and residual risk status and certainty relating to key/top business objectives

Product: Audit assurance related to management's report on risk status linked to the most important objectives

Assurance Approach

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Objective Centric Risk and Certainty Management Five Step Overview

Populate Objectives Register: top value creation and potential value erosion objectives
- Step 1

Confirm decisions on objectives coverage, RARs, IALs with Board
- Step 3

Consolidated report including Composite Residual Risk Ratings prepared for senior management and the board
- Step 5

Assign objective "Owner/Sponsors", Risk Assessment Rigor (RAR) and Independent Assurance Levels (IAL)
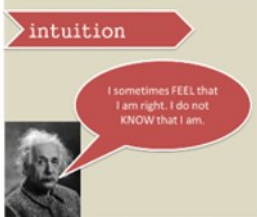- Step 2

Owner/Sponsors complete CertaintyStatuslines™ (CSLs) and IA completes independent assurance work
- Step 3

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Core Tools

Risk Assessment Rigour ("RAR") User Guide

RAR LEVEL	DESCRIPTION
Not Assigned (NA)	
Not Rated (NR)	
Intuitive/Experiential	
Traffic Light/Time Limited	
Full Risk/Risk Treatment Assessment	More work and time required to identify risks, risk treatments, RESIDUAL RISK STATUS information, and COMPOSITE RESIDUAL RISK RATING.
High (H)	Quite a bit more work and time reserved for very important objectives
Very High (VH)	A lot of work and time required reserved for absolutely the most important objectives.
Very High + (VH+)	This amount of effort and time is reserved for situation where there is a desire to be as certain as humanly possible.

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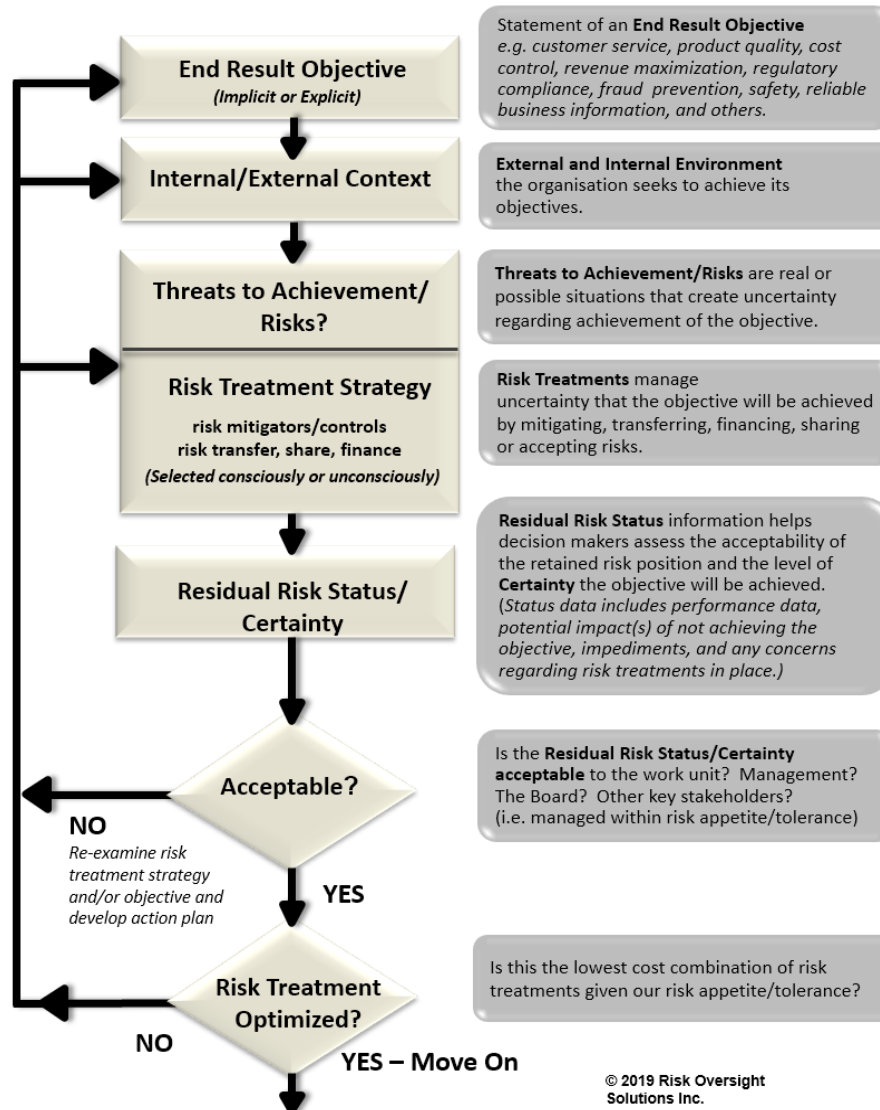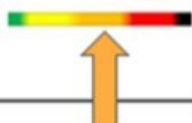
Core Tools

Core Objectives

	Owner	Certainty
Achieve 8% return on private equity investments in excess of the sector benchmark.	Mary Brown	
Increase customer retention by 15% year over year.	Chuck Smith	
Increase customer satisfaction ratings from 3.2/5.00 to 4.0/5.00 by year end 201X	Elaine Ford	
Reduce lost time due to accidents by 30% year over year.	Paul Stevens	

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Core Tools

Objective Certainty

	Fully acceptable level of certainty of achievement. Any significant concerns have been identified and shared upwards
	Some management effort is required to increase certainty of achievement to an acceptable level.
	Considerable management action is required to increase certainty of achievement to an acceptable level.
	Significant analysis and corrective action by Senior Management and the Board is urgently required to increase certainty of achievement to an acceptable level.
	Massive corrective action by Senior Management and the Board is required now to increase certainty of achievement to an acceptable level.

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Why is this important to the City?

Municipal councils/"governing bodies" are responsible for overseeing strategy-setting and execution, including management of risks

A Commitment From Our Leaders – We Will...

The City of Burlington is a place where people, nature and business thrive. Burlington Council and the Burlington Leadership Team will work towards common objectives in partnership with our community to address our changing city and contribute to the quality of life for residents.

This 2018 to 2022 Plan: From Vision to Focus is our corporate work plan that prioritizes key strategic directions from Burlington's long-term 25-year Strategic Plan and details key goals and strategic actions required to move these priorities forward during this term of Council. It is important to note that some initiatives identified in this plan may go beyond the 4-year term and will be carried over into future years for continued implementation.

Together, we will build on the vision from the 25-year plan and focus in on the specific initiatives and actions that bring us closer to achieving the vision; A City that Grows, A City that Moves, A Healthy and Greener City and An Engaging City. To make that happen, this plan takes into consideration the wide range of programs and 39 City Services delivered to the community and the commitment we have in delivering trusted, effective and efficient services to everyone.

A series of joint workshops and engagements were held with the 2018-2022 Burlington Council and the Burlington Leadership Team to reconfirm the specific focus areas and define goals and actions required to execute on the plan.

We will align resources to ensure we make progress in these focus areas:

1. Increasing economic prosperity and community responsive city growth
2. Improving integrated city mobility
3. Supporting sustainable infrastructure and a resilient environment
4. Building more citizen engagement, community health and culture
5. Delivering customer centric services with a focus on efficiency and technology transformation

We will share regular updates on the implementation and progress of the plan with the citizens of Burlington. We will let our community know our achievements and progress on the 2018 to 2022 Burlington Plan: From Vision to Focus that helps realize our long-term vision for the City of Burlington.

Together we commit.

Ward 1 - Councillor Kelvin Galbraith
Ward 2 - Councillor Lisa Kearns
Ward 3 - Councillor Rory Nisan
Mayor Marianne Meed Ward
Ward 4 - Councillor Shawna Stolte
Ward 5 - Councillor Paul Sharman
Ward 6 - Councillor Angelo Bentivegna

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Why is this important to the City?

Municipal Council are now seen to be "Governing Bodies" with similar responsibilities to corporate boards of directors

C.1.1 Governing body

Stakeholders give the governing body overall responsibility for the stewardship of the organization, its culture, assets, activities, performance, engagement with other organizations and individuals, environmental impact, reporting, and so on. Thereafter, stakeholders commonly have limited direct input to strategic and operational decisions. This separation of ownership and governance requires measures to ensure that the governing body directs the organization in accordance with the needs and interests of its stakeholders, within the requirements of laws and regulations, and according to social and cultural expectations. This requires integrity, transparency, and accountability together with regular stakeholder engagement as well as independent scrutiny and reporting.

(Source: IIA Three Lines of Defense Discussion Paper June 2019)

Why is this important to the City?

Key roles of the governing body therefore include:

- *Establishing and maintaining an ethical culture, leading by example, and setting the "tone at the top."*

- *Engaging with stakeholders to ensure alignment of decisions, actions, behaviors, and outcomes with their interests in a way that is efficient, effective, sustainable, and ethical.*

- *Providing ethical and strategic leadership for the organization and setting strategic direction.*

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Why is this important to the City?

Key roles of the governing body therefore include:

- *Establishing overarching processes, responsibilities, and structures.*

- *Establishing committees of the governing body as required.*

- *Setting goals for performance as a whole and determining acceptable variances and tolerances.*

- *Delegating resources and authority to management and internal audit.*

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Key roles of the governing body therefore include:

- *Approving policies designed by risk, quality, control, and compliance functions.*

- *Monitoring performance.*

- *Reviewing reports and assurance received from all functions.*

- *Reporting on decisions, actions, behaviors, and outcomes to stakeholders and appropriate authorities.*

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Why is this important to the City?

Increased certainty From Vision to Focus objectives will be achieved

What are the roles of the key players?

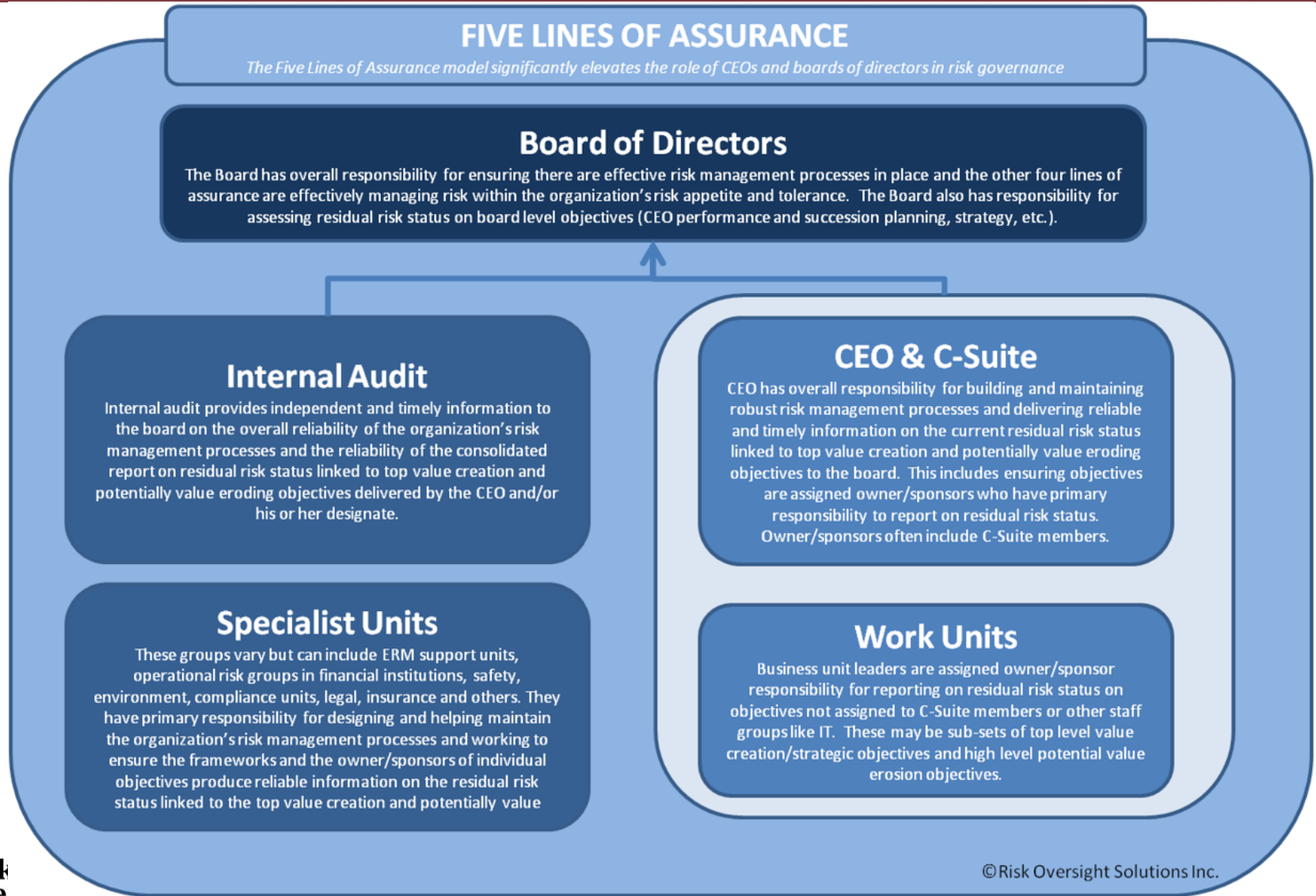**To be determined by the City and codified in policy**

- Role of full Council
- Role of new standing Corporate Services, Strategy, Risk and Accountability Committee
- Role the City's Audit Committee
- Role of objectives "Owner/Sponsors"
- Role of department staff
- Role of new Strategy Risk and Accountability Team
- Role of internal audit

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What are the roles of the key players?

FIVE LINES OF ASSURANCE

The Five Lines of Assurance model significantly elevates the role of CEOs and boards of directors in risk governance

Board of Directors

The Board has overall responsibility for ensuring there are effective risk management processes in place and the other four lines of assurance are effectively managing risk within the organization's risk appetite and tolerance. The Board also has responsibility for assessing residual risk status on board level objectives (CEO performance and succession planning, strategy, etc.).

Internal Audit

Internal audit provides independent and timely information to the board on the overall reliability of the organization's risk management processes and the reliability of the consolidated report on residual risk status linked to top value creation and potentially value eroding objectives delivered by the CEO and/or his or her designate.

CEO & C-Suite

CEO has overall responsibility for building and maintaining robust risk management processes and delivering reliable and timely information on the current residual risk status linked to top value creation and potentially value eroding objectives to the board. This includes ensuring objectives are assigned owner/sponsors who have primary responsibility to report on residual risk status. Owner/sponsors often include C-Suite members.

Specialist Units

These groups vary but can include ERM support units, operational risk groups in financial institutions, safety, environment, compliance units, legal, insurance and others. They have primary responsibility for designing and helping maintain the organization's risk management processes and working to ensure the frameworks and the owner/sponsors of individual objectives produce reliable information on the residual risk status linked to the top value creation and potentially value

Work Units

Business unit leaders are assigned owner/sponsor responsibility for reporting on residual risk status on objectives not assigned to C-Suite members or other staff groups like IT. These may be sub-sets of top level value creation/strategic objectives and high level potential value erosion objectives.

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What are the benefits?

- Managers and their teams responsible for important objectives are the primary risk assessor/reporters – this establishes clear accountability for risk acceptance decisions, "embeds" risk management in the business, and leads to better decisions on resource allocations and risk acceptance

- It increases certainty important objectives will be achieved or that they will be changed when evidence indicates achievement has unacceptable uncertainty/risk

- It is technically superior to risk centric/risk register ERM methods in terms of identifying the true residual risk/certainty position linked to an organization's most important objectives

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What are the benefits?

- It links all risk assessment and assurance work to top strategic and value preservation objectives, current performance being achieved, and impact of not achieving the objectives being assessed

- It integrates with Daniel Kahneman's Nobel prize winning work on how people make important decisions (thinking fast/thinking slow)

- It meets emerging strategy and risk governance expectations

OBJECTIVE:

Minimize injuries, negative psycho/social impacts and deaths in the event of all plausible major emergency/disaster situations including bio-terrorism, nuclear events, chemical, and natural disasters

(See sample risks identified in the handout)

OBJECTIVE:

Minimize injuries and deaths in the event of major natural emergencies including earthquakes, floods, hurricanes, tornadoes, ice and snow storms
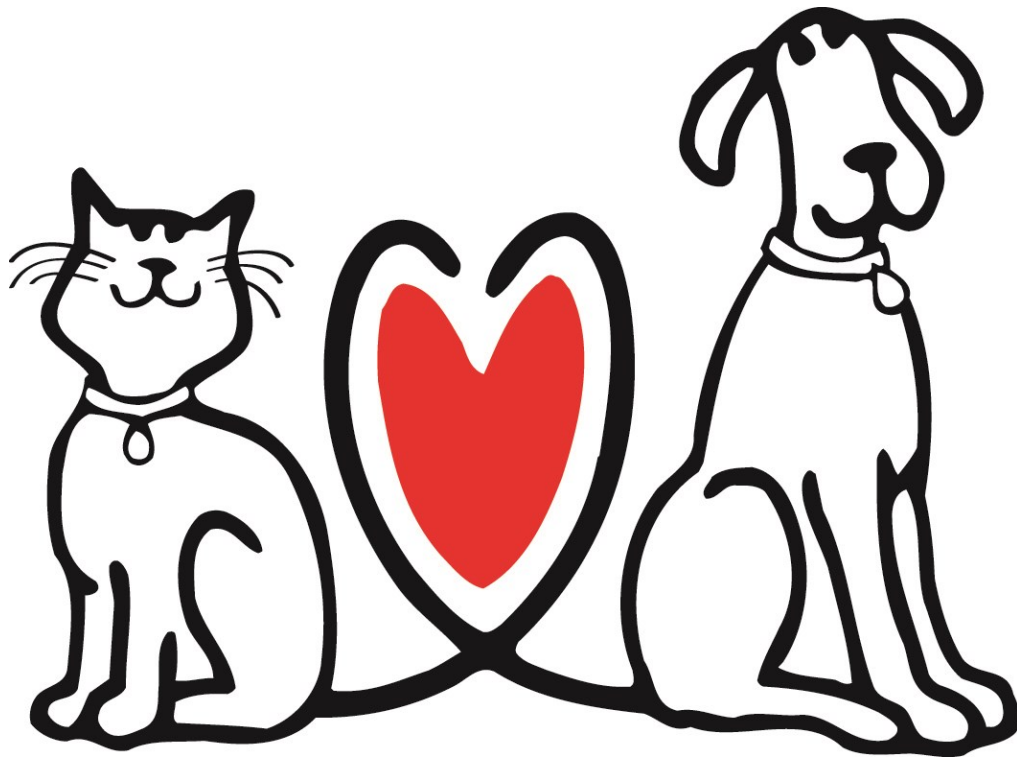
OBJECTIVE:

- Reduce the frequency of injuries and deaths linked to personal watercraft operation in Ontario

OBJECTIVE:

- Provide animal care that meets or exceeds recognized provincial and federal guidelines

OBJECTIVE:

Annually increase the overall growth of business by 1%

OBJECTIVE:

Increase modal split between car use (82%), transit (10%) and active transportation (8%) by 2022

OBJECTIVE:

Decrease the City's infrastructure funding gap by 25% by 2022

OBJECTIVE:

Increase the number of residents using the City's online engagement tool by 10% each year

OBJECTIVE:

Increase the number of on-line self-service options by 10% by 2022

QUESTIONS???
Thank you

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