Risk Management Update
CS-08-24

Audit Committee

Wednesday, December 4, 2024

Leah Bisutti and Mark Vytvytskyy

Next Steps for City's Enterprise Risk Management (ERM)

Transformation Office – Priorities, Objectives and Outcomes

Priority:

Enhance risk management by embedding operational and department-based risk management into the Enterprise Risk Management (ERM) framework.

Objectives:

1. Increase the risk maturity level of the city across the organization
2. Establish comprehensive and inclusive integrated risk reporting to the city's Executive Leadership Team.
3. Increase the knowledge and application of risk by city staff across the organization.
4. Provide colleagues with advice and expertise by participating in projects, initiatives and assisting with risk management activities

Outcomes:

• An integrated risk management approach across all departments.
• Early identification and mitigation of departmental risks.
• Stronger alignment between operational risk process and the city's ERM strategy.

Current Risk Governance and ERM Framework Elements:

City's 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.

City's 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

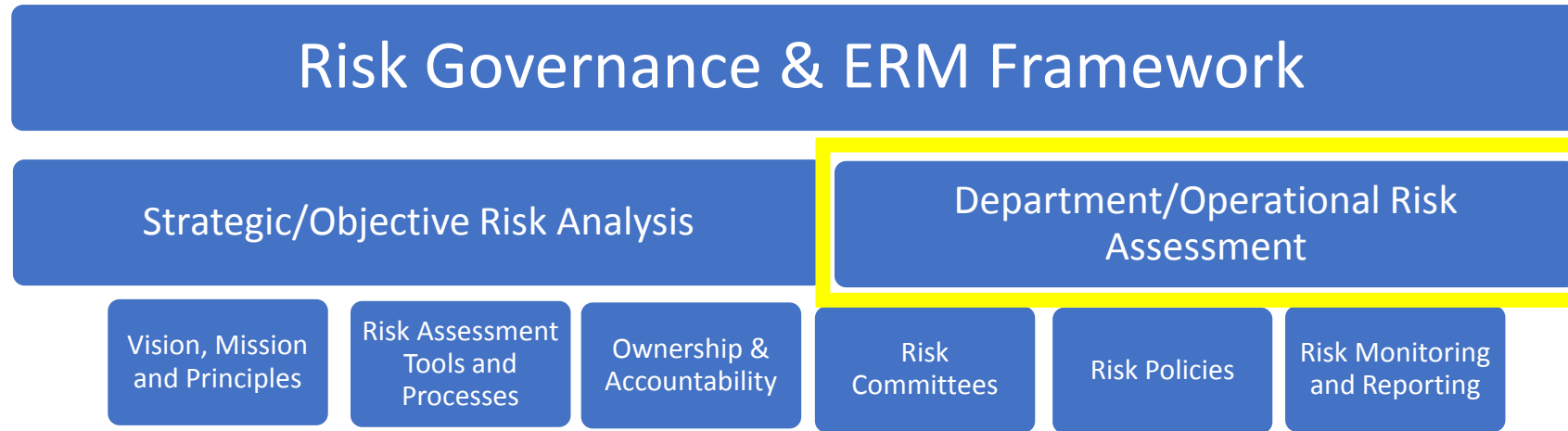## City of Burlington 5 Lines of Accountability

5th Line

ERM Committee

4th Line

3rd Line

Corporate Strategic Lead, Risk Management

2nd Line

Business Unit Lead/Managers

1st Line

Adapted from TMX "Five Lines of Accountability" and "The Three Lines of Defense in Effective Risk Management and Control", IIA, 2013

CITY OF
Burlington

Integration of Strategic and Operational Risk Analysis:

Risk Governance & ERM Framework

Strategic/Objective Risk Analysis	Department/Operational Risk Assessment

Vision, Mission and Principles	Risk Assessment Tools and Processes	Ownership & Accountability	Risk Committees	Risk Policies	Risk Monitoring and Reporting

Strategic/Objective Risk Analysis: Using Scenario Analysis - What does success look like?, What are your outcomes? What can stand in your way/What are your barriers? What is your confidence we can achieve the strategy/objectives? What can you do to increase your chance of success?
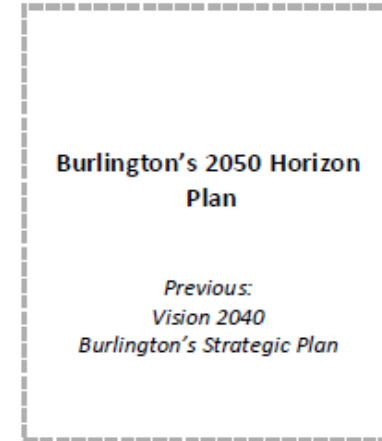
Department/Operational Risk Analysis: Risk Categories, Risk Registers, Assessment of Likelihood and Impact, Responses/Mitigation, Ownership/Accountability

Where does our Strategic/Objective risk analysis fit in the new Strategy Framework?
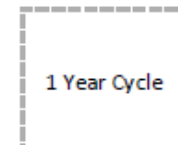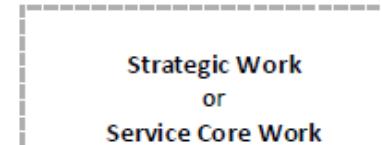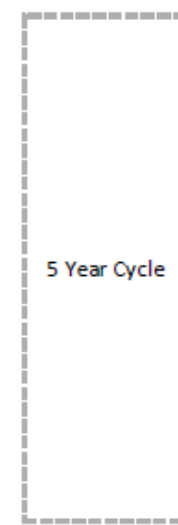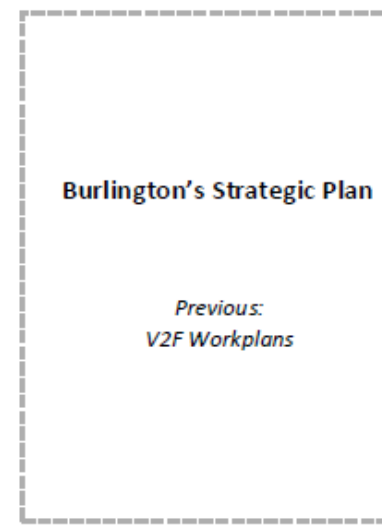
Strategy Framework

Purpose:
To create a positive impact on the quality of life, sense of belonging, health and social well-being of the Burlington community

Vision:
Where people, nature and business thrive

Values
We are caring, friendly and inclusive community
We demonstrate respect by being fair and ethical
We value innovation and trusted partnerships

Horizon Directions:
A City that Grows • A City that Moves • A Healthy and Greener City • An Engaging City

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Focus Area: Designing and Delivering Complete Communities
Divisional Priorities
Objectives
Objectives

Focus Area: Providing the Best Services and Experiences
Divisional Priorities
Objectives
Objectives

Focus Area: Protecting and Improving the Natural Environment and Climate Action
Divisional Priorities
Objectives
Objectives

Focus Area: Driving Organizational Performance
Divisional Priorities
Objectives
Objectives

Focus Area Outcomes

Priority and Objective Key Performance Targets and Indicators

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Enterprise Business Planning System

Nomenclature

Burlington's 2050 Horizon Plan

Previous:
Vision 2040
Burlington's Strategic Plan

Burlington's Strategic Plan

Previous:
V2F Workplans

Strategic Work
or
Service Core Work

Timeframe

Does not change

25 Year Cycle

5 Year Cycle

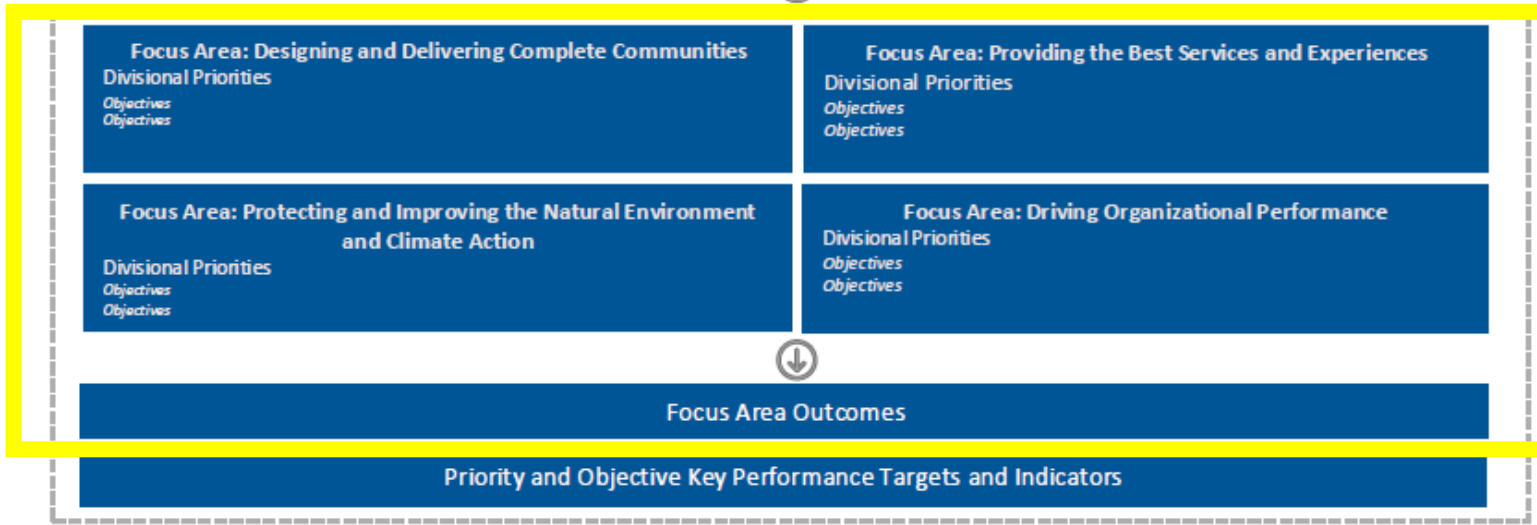1 Year Cycle

Strategic/Objective risk analysis will be included as part of this work and will selected from a city category list – will result in providing common objective risks across the organization

Transformation Office
Chief Mark Vytvytskyy

Focus Area Driver	#	Priority
4	1	Embed a robust performance management framework across all departments to drive accountability and continuous improvement.
4	2	Leverage digital tools, technologies and data analytics to enhance municipal services and deliver innovative solutions
4	3	Equip staff with the necessary skills and change management frameworks to adapt to innovative approaches, technologies, processes and KPIs.
4	4	Enhance risk management by embedding operational and department-based risk management into Enterprise Risk Management(ERM) framework
4	5	Ensure that all transformation initiatives are aligned with the broader strategic goals of the city and are overseen by a strong governance framework.

| Objectives	Priority Driver	KPI	Target		Status	Funding Source	Category	Owner
Refine and implement an enterprise system and supporting process that track organizational performance, KPIs and corporate project resource and enterprise planning.	1	The adoption rate of the enterprise business performance management system across departments	50% by year 1					Steph
Lead an enterprise-wide project to design, develop, implement and operate a Corporate Dashboard (inclusive of project status data) that is accessible to the public.	1	Percentage of departments achieving quarterly business performance review targets	80% by year 3					Steph
Deliver Continuous Improvement, Change Managment and Innovation workshops and training session.	2	Number of digital tools and technologies deployed across departments .	5 new tools by year 2					Steph
Develop a process to engage all departments in service delivery reviews that will identifying technology needs, user needs and support the development of department multiyear service improvement plans	2	Number of innovative solutions implemented to address municipal service challenges	2 per year					Steph
Create awareness and develop capabilities in Managment staff to implement successful transformational and change initiatives.	3	Percentage of departments and corporate projects implementing change management frameworks	90% by year 3					Steph
Provide colleagues with insights, advice and expertise by participating in projects, department workshops and leading CI and Innovation solutions design sessions.	3							Steph
Create and communicate an "best in class" example for Departments using the Continuous Improvement cycle demonstrating the use of KPIs, business planning, continuous improvement planning and implementation and change leadership approaches	3	Percentage of staff trained priorities, objectives, outcomes and KPIs development	100% by year 2					Steph
Increase the risk maturity level of the city across the organization	4	Risk Maturity Rating 3 or higher	3					Leah
Establish comprehensive and inclusive integrated risk reporting to the city's Executive Leadership Team.	4							Leah
Increase the knowledge and application of risk by city staff across the organization.	4	Number of staff who have taken risk training						Leah

Department/Operational Risks: New tools and Processes involving

- Risk Registers

- Risk Inventory/Categories

- Impact/Likelihood

- Mitigations

- Accountability

Process/Activity	Risk Number	Risk Event	Risk Category	Responsible (Position)	Date Identified day-month-year	Last Update day-month-year	Initial Risk Response	Risk within an Acceptable Level?	Likelihood change	Impact Change

Results in top 10 department/operational risks and an ERM Register for the Corporation

Enterprise Risk Management Decisions: Proposed Committee Structure

CAO

ERM Committee

Community of Practice (SME's)
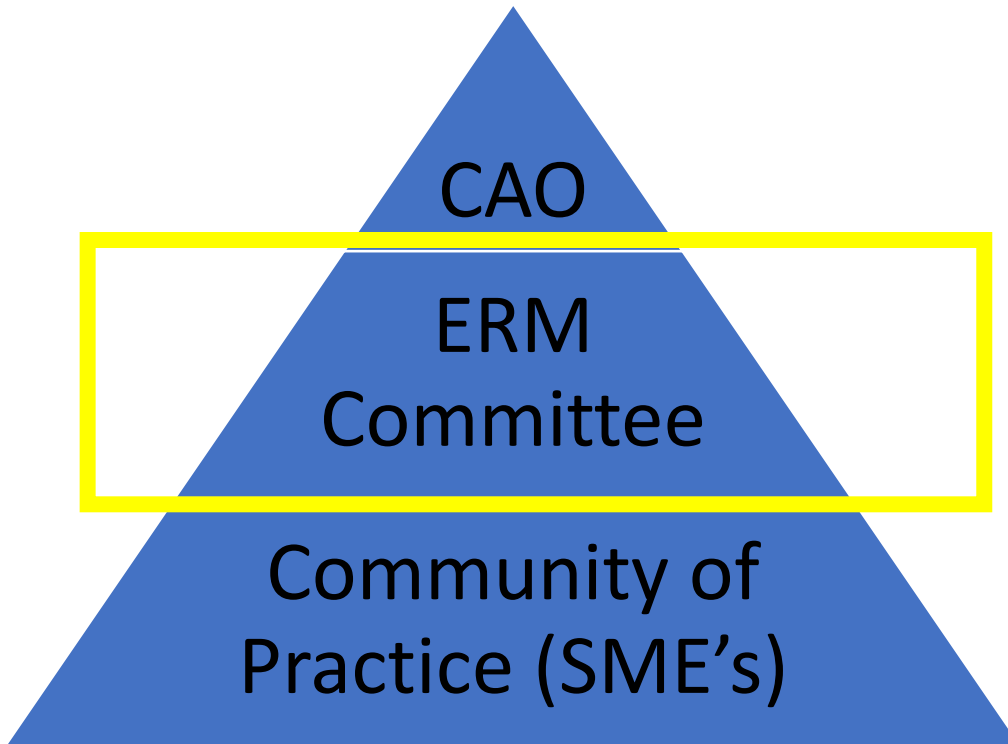
Both Departmental/Operational Risk Registers and Strategic/Objective risk analysis will be reported to ERM Committee

Multiplier Effect of Liaisons

Enterprisewide Risk Management Scope

High-Level and General

CRO

Capacity to Monitor and Manage Risk

ERM

ERM

Risk Liaisons

Granular and Specific

Source: Gartner
756957_C

Gartner

Risk Community of Practice (Risk Liaisons, SME's)

- Head of Business Functions in Risk Areas/Managers – represented above – prepare materials, keep Risk Registers, Present data, emerging risks to ERM Committee

Proposed ERM Committee

- Proposed Membership:
    - Chief Transformation Officer (Chair)
    - Strategic Lead, Risk Management
    - Chief Financial Officer
    - Chief Information Officer
    - Chief Human Resources Officer
    - Commissioners – PW, CS, D&GM, L&LS

- TOR to be developed – decision authority, reporting frequency,

Executive Risk Committee Composition
Percentage of respondents (multiple responses permitted)

Chief financial officer	90%
General counsel/chief legal officer	77%
Chief risk officer or head of ERM	73%
Chief human resources officer	67%
Business unit/divisional leaders	63%
Chief executive officer	57%
Chief information officer, chief digital officer or head of IT	53%
Chief compliance and/or ethics officer	43%
Chief operating officer	40%
Chief information security officer	37%
Chief strategy officer	27%
Chief accounting officer	23%
Chief marketing officer and/or head of corporate communications	20%
Chief actuary	10%
Chief supply chain officer	10%
Chief innovation officer/head of research and development	7%
Chief privacy officer	3%

n = 30

Source: Gartner ERM Budget and Efficiency Benchmark
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Gartner.

Next Steps in Risk Governance and Enterprise Risk Management Implementation Journey
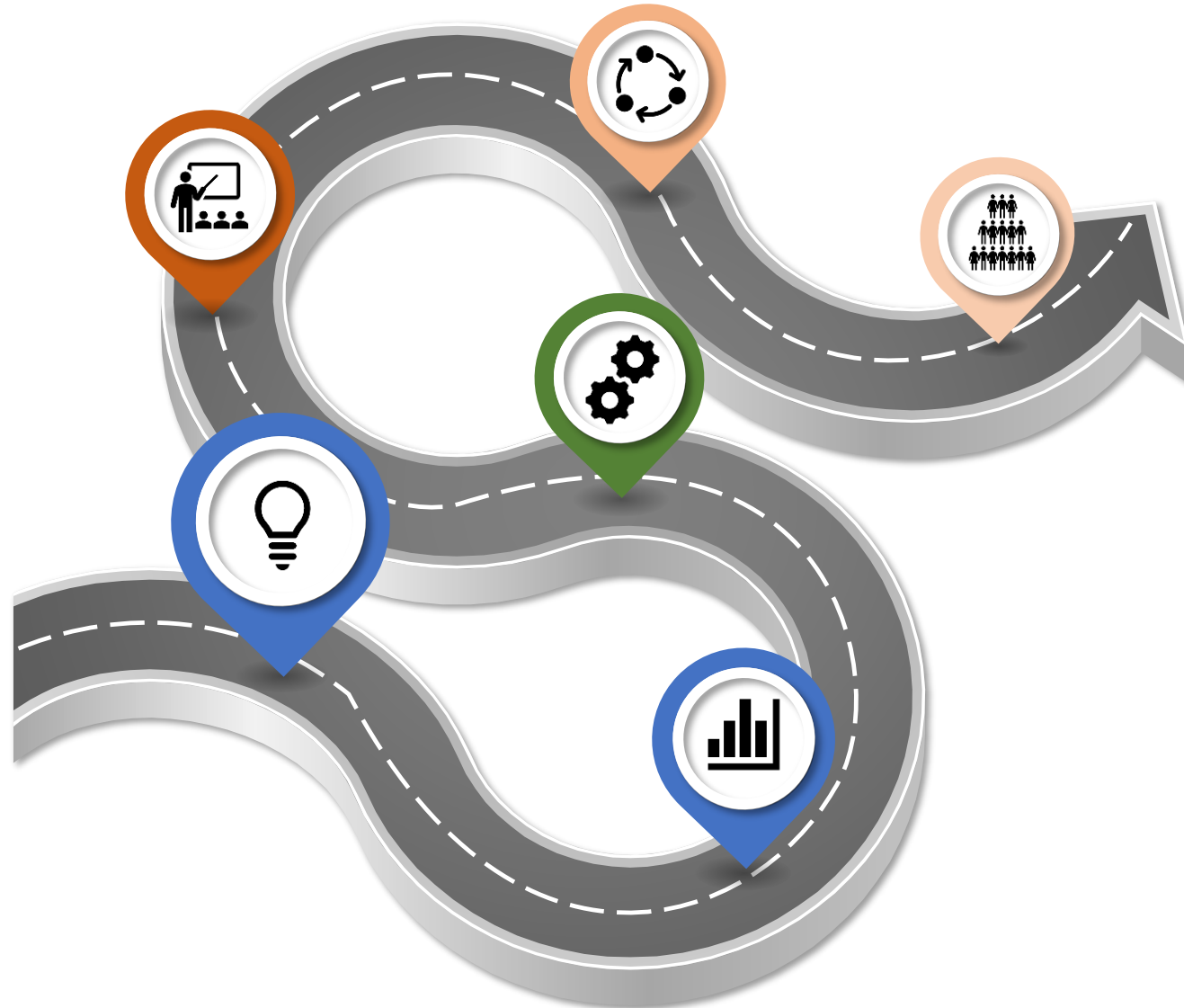
- Introduce an ERM Committee with TOR
- Update policies, tools and processes
- Define staff expectations including reporting to ERM Committee
- Train and assist staff
- Update Priorities, objectives and add risks when complete work on new Strategic Plan and Horizon 2050
- Implement regular reporting to Audit Committee

Appendix: Further Background Material

Background Material:

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

Introduction:

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 Strategy and Principles

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.

COB Risk Process

Plan	Identify	Assess and Analyze	Respond	Monitor	Report

Communication, Training and Change Management

|					
• Define scope and scale of risk assessment • Select appropriate tools and techniques for risk process • Determine stakeholders and consults • Develop Risk Assessment Plan	• Identify and document risks using chosen tools and templates • Create Risk Inventory including sources of risk and risk characteristics	• Apply quantitative and qualitative tools and techniques to assess risks • Consult with others on existence of risks • Document probability and impact • Decision risk acceptance • Escalate risk acceptance decision as needed	• Identify and document how you are going to deal with identified risks • Assign accountability for actions • Escalate mitigation plans as required	• Determine how you are going to monitor the risks e.g. frequency, responsibility, method etc.	• Define scope and scale of reporting on risk information to stakeholders and decision makers e.g. frequency, format etc.

Iterative process
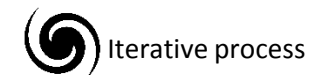
Risk Governance and Enterprise Risk Management Plan

Purpose	Modernize Risk Management	Protect the City	Increase our Success
	• Build on what staff are already doing • Implement new processes, tools and templates • <mark>Evolve Risk Management</mark>	• Protect our community, our staff and our assets • <mark>Make better decisions</mark>	• Build a risk aware culture • Support innovation • <mark>Embed at all levels of the organization</mark>

Functional Activities	Align Risk, Strategy and Performance	Ensure Risk Governance	Manage Enterprise Risk Management Process	Enhance Risk Culture
	Incorporate Risk Management in Strategy	Design Frameworks and Policies	Identify Risks	Foster Risk Awareness
	Operationalize Risk Appetite	Ensure Risk Committee Oversight	Assess Risks	Assign Accountability and Ownership
	Embed Risk Management in Business Processes	Manage Risk Management Technology	Respond to Risks	Build Enterprise-Wide Risk Management Skills
	Engage in Business Resiliency	Manage ERM Staff	Monitor Risks	
		Manage Liaison/Champion Network	Report on Risks	
		Develop ERM Skills and Capabilities	Work with Risk and Control Groups	
			Manage Emerging Risks	

As of Oct. 2024

Assess & Analyze: Confidence of Achievement Scale

Rating	Confidence of Achievement
VH	We will achieve our strategic objectives within our planned timing horizon and will complete our planned outcomes
H	Minor impact to timing OR outcome which effects our ability to achieve our strategic objectives
M	Moderate impact to timing OR outcome or minor impact to timing AND outcome which effects our ability to achieve our strategic objectives
L	Significant impact to timing AND outcome which substantially effects our ability to achieve our strategic objectives
VL	We will NOT achieve our strategic objectives within our planned timing horizon and will not complete our planned outcomes

Tools

Improve Risks	Monitor Risks
Tolerate Risks	Operate Risks

Excerpt from Gartner Action-Oriented 2x2 Matrix

Bow Tie Analysis

Select the number of possible Root Causes that may cause the risk event.

0

Select the number of possible Consequences of the risk event.

0

Root Cause	Risk	Consequence
	<enter risk>	

Objectives What do you intend to achieve	Outcomes (KPIs) What will you measure to assess the achievement? What must be accomplished?
Strategy How will you achieve each of the individual outcomes?	Assumptions What assumptions are you making in formulating your strategy?

End Result Objective
(Implicit or Explicit)

Internal/External Context

Threats to Achievement/ Risks?

Risk Treatment Strategy
risk mitigators/controls
risk transfer, share, finance
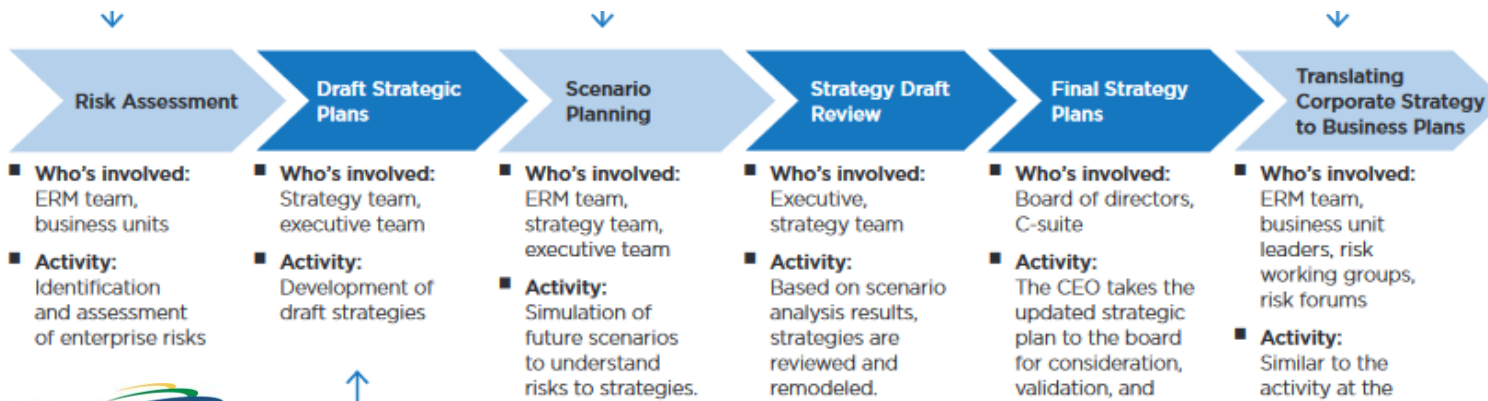*(Selected consciously or unconsciously)*

Residual Risk Status/ Certainty

Excerpt from Risk Oversight Solutions Certainty Statusline

Advisors

Risk Assessment	Draft Strategic Plans	Scenario Planning	Strategy Draft Review	Final Strategy Plans	Translating Corporate Strategy to Business Plans
Who's involved: ERM team, business units	**Who's involved:** Strategy team, executive team	**Who's involved:** ERM team, strategy team, executive team	**Who's involved:** Executive, strategy team	**Who's involved:** Board of directors, C-suite	**Who's involved:** ERM team, business unit leaders, risk working groups, risk forums
Activity: Identification and assessment of enterprise risks	**Activity:** Development of draft strategies	**Activity:** Simulation of future scenarios to understand risks to strategies.	**Activity:** Based on scenario analysis results, strategies are reviewed and remodeled.	**Activity:** The CEO takes the updated strategic plan to the board for consideration, validation, and	**Activity:** Similar to the activity at the

Excerpt from Hydro One Ensure Risk-Resilient Corporate Strategies

2023 Risk Maturity Rating -

Leadership

Align Risk, Strategy, and Performance 3+	Ensure Risk Governance 3	Manage ERM Process 3+	Enhance Risk Culture 2+	Ensure Regulatory Compliance 3-
Incorporate Risk Management in Strategy 5-	Design Frameworks and Policies 4+	Identify Risks 4+	Foster Risk Awareness 4	Enable Regulatory Compliance 3-
Operationalize Risk Appetite 2+	Ensure Risk Committee Oversight 4	Assess Risks 4+	Assign Accountability and Ownership 2+	
Embed Risk Management in Business Processes 3+	Manage Risk Management Technology 2+	Respond to Risks 3	Build Enterprise-wide Risk Management Skills 1	
Engage in Business Resiliency 3-	Manage ERM Staff 3+	Monitor Risks 3+		
	Manage Liaison/Champion Network 3+	Report on Risks 4		
	Develop ERM Skills and Capabilities 2-	Work With Risk & Control Groups 3		
		Manage Emerging Risks 2+		

Legend ☐ High Maturity ☐ Medium Maturity ☐ Low Maturity ☐ Not Assessed   n = 34

Maturity: Measured on a scale ranging from 1 (Low) to 5 (High), maturity measures how advanced an organization's development is in a functional activity relative to Gartner's best practice research. Maturity scores are refined with a (+) or (-) to indicate intermediate levels of maturity.

BMT

Align Risk, Strategy, and Performance 3-	Ensure Risk Governance 3	Manage ERM Process 3-	Enhance Risk Culture 2-	Ensure Regulatory Compliance 1
Incorporate Risk Management in Strategy 4	Design Frameworks and Policies 4+	Identify Risks 4+	Foster Risk Awareness 2	Enable Regulatory Compliance 1
Operationalize Risk Appetite 1	Ensure Risk Committee Oversight 4	Assess Risks 4-	Assign Accountability and Ownership	
Embed Risk Management in Business Processes 3	Manage Risk Management Technology 2	Respond to Risks 3	Build Enterprise-wide Risk Management Skills 1	
Engage in Business Resiliency 3	Manage ERM Staff 2+	Monitor Risks 3+		
	Manage Liaison/Champion Network 3+	Report on Risks 3		
	Develop ERM Skills and Capabilities 2-	Work With Risk & Control Groups 1		
		Manage Emerging Risks 1+		

Legend ☐ High Maturity ☐ Medium Maturity ☐ Low Maturity ☐ Not Assessed   n = 11

Maturity: Measured on a scale ranging from 1 (Low) to 5 (High), maturity measures how advanced an organization's development is in a functional activity relative to Gartner's best practice research. Maturity scores are refined with a (+) or (-) to indicate intermediate levels of maturity.