

Status of Enterprise Risk Management (ERM) Program Audit Recommendations

In 2021 May, The City Auditor’s Office (CAO) performed an audit on the effectiveness of the ERM framework, resulting in five audit recommendations. Two of the five audit recommendations were closed as of 2021 December 7 (ELT2021-1428 - Attachment 2). Significant progress has been made in 2022 to address the remaining recommendations, and all are on track for completion by the end of 2022. This attachment provides a status update on the remaining three audit recommendations.

No#	Area	Audit Recommendation	Update	Status
1	Risk Management Maturity and Assessment Tool	a. Direct the ERM Team to make a collective decision with the ELT on the desired level of maturity , which will include further engagement with Audit Committee.	<p>On 2022 December 12, the Executive Leadership Team (ELT) approved Tier 4 as the desired level of risk maturity for the organization. The risk maturity tiers are based on the Risk and Insurance Management Society (RIMS) risk maturity model.</p> <p>In 2023 January, the ERM team will share the ELT decision with the Audit Committee in the scheduled report to confirm the desired level of maturity.</p>	On Track <i>(pending engagement with Audit Committee)</i>
		b. Review current methods utilized to evaluate ERM Framework performance and implement processes that include a standard approach for obtaining feedback from relevant stakeholders at all levels of The City .	<p>The ERM team expanded the distribution list for the risk maturity survey to include respondents at all relevant levels of The City. This includes the ELT, Directors, Managers, Senior Executive Advisors and individuals involved in the risk review process.</p> <p>In addition, effective 2022 June 20, the ERM team presented an update on the ERM Framework to the ELT and Audit Committee (ELT2022-0579 – Attachment 3). The purpose of the update was to provide an overview of the performance of the overall ERM Program and Framework. Going forward, the ERM team plans to provide an update on the performance of the ERM Program and Framework annually.</p>	On Track
		c. Determine the appropriate model upon	The ERM team has chosen the Risk and Insurance Management Society (RIMS) Risk Maturity Model, to	On Track

		<p>which to base the evaluation of the ERM Framework.</p>	<p>evaluate the ERM Framework. This model consists of the following five pillars:</p> <ol style="list-style-type: none"> 1. Strategy Alignment 2. Culture and Accountability 3. Risk Management Capabilities 4. Risk Governance 5. Analytics <p>Each pillar is evaluated based on its associated attributes using a 1 - 5 Tier scale. The model weighs the five pillars and uses a 1 - 5 Tier scale to evaluate the overall risk maturity.</p> <p>The ERM team has incorporated this model into the annual Risk Maturity Survey for consistency.</p>	
2	Performance Measurement	<p>a. Re-evaluate current performance measures and ensure they are specific, measurable, attainable, relevant, and time oriented (SMART)</p>	<p>The IRM (now ERM) program previously used seven performance measures to gauge its performance against the program goals. In 2021, the team committed to updating these performance measures by 2022 December, in response to the City Auditor’s Office recommendation.</p> <p>New measures that align with the 2023-2026 program outcomes were selected, and the data needed was captured in the Risk Survey re-design (For more details, please refer to Attachment 2).</p>	On Track
3	Risk Appetite and Tolerance	<p>a. Expand on current Risk Appetite and Tolerance Guidelines to include approved levels for both strategic and operational risk to support effective decision making within The City</p>	<p>To address this recommendation, the ERM team completed the following:</p> <ul style="list-style-type: none"> • Introduced risk appetite status updates into the Attachment 1: 2022 Year-end Risk Profile (Confidential). ERM has presented a recommendation for approved tolerance levels to be updated in our regular risk updates to the ELT. • ERM will provide regular updates to indicate if risk management practices are within appetite and 	On Track

			<p>tolerance or not. This work will also contribute to recommendation (c).</p> <ul style="list-style-type: none"> • Applied risk appetite to service risk registers: risk owners of Service Risks determine if their risks are within appetite or not. • Developed an implementation plan to further risk governance efforts to clarify and build up processes, roles, and responsibilities for risk review. This will include predetermined escalation process for risks that exceed thresholds with sign off from appropriate decision makers. • The ERM team is developing a new decision-making tool with the Law Department for applying risk appetite. It leverages existing guidelines and decisions on risk appetite and supports conversations to apply these in different contexts. 	
		<p>b. Raise awareness of approved risk appetite and tolerance levels through communication and training</p>	<p>To address this recommendation, the ERM team completed the following:</p> <ul style="list-style-type: none"> • Conducted a communications campaign on risk appetite, including stories of risk appetite applied to specific projects. • Shared risk appetite tools for applying risk in different areas in the organization. 	On Track
		<p>c. Provide guidance/direction on how including risk appetite/tolerance should be considered in reports to the ELT and Council (if future updates occur).</p>	<p>To address this recommendation the ERM team completed the following:</p> <ul style="list-style-type: none"> • Engaged citizens on their desired levels of risk appetite. • Included strategic risk appetite guidance into ERM's mid-year risk update 2022. • Included guidance on how to apply risk appetite into service plans and budgets submissions. • Included the status of risk appetite in ERM's risk reports. 	On Track