Report to the
Calgary Public Library Board
Audit & Finance Committee
March 19, 2019
2019 Annual Risk Review

I. ALIGNMENT

The risk register is a governance tool for the Board. It is not a legislated requirement or a strategic imperative. It is a requirement of the City of Calgary and a widely recognized governance best practice.

II. PURPOSE

The purpose of this report is to provide an annual review of categories identified by the Calgary Public Library as presenting the greatest risk to the Library in meeting its strategic objectives. There will also be an opportunity for Library Administration and the Committee to discuss the validity of the risks that are reported and any emerging risks that have not been previously identified as significant.

III. BACKGROUND

The current approach to risk reporting has been in place since 2014 and is the result of an engagement with KPMG intended to ensure that Calgary Public Library's risk reporting incorporated best practices in integrated risk management.

The current approach reflects a focus on the strategic level, by assessing and presenting the greatest risk factors to attainment of the Library's strategic goals. Over the last five years the Committee and Administration have refined the focus of risk reporting to the following five categories:

- Relevance
- Finance
- Operations
- New Central Library Project
- Security

Each category contains factors that have been analyzed to determine the risk to the Library if there were no mitigation controls in place, and what the risks are after mitigation controls are in place. This information is presented annually through a heat map showing the results of this analysis. The 2018 heat map is attached to this report for reference.

With the opening of the new Central Library and the adoption of a new strategic plan, Administration undertook a review of the risk register with the aim of updating categories and risk factors for the next several years.

IV.   REVIEW AND UPDATE

Categories

With the successful opening of the new Central Library, and its inclusion in many other reporting tools, the need for that project to be a separate risk reporting category is reduced. The other four current categories remain strongly related to attainment of the Library's strategic goals and are being retained.

Risk Factors

Within the remaining risk categories, the 18 risk factors were reviewed through several lenses, including:

- Is this factor still related to strategic goals?
- Is there still unmitigated risk in this factor?
- Is there a less subjective way of defining and measuring the underlying risk?
- Is there a material new factor in this category that has emerged since the prior review?

As a result of this review, the Executive Leadership Team is recommending changes to the risk factors in all four categories. The changes are detailed in the tables below.

	2018 Factor	Assessment	2019 Definition
RELEVANCE	1A. Members/capita	Retain	Members per capita
	1B. Customer Satisfaction	Retain, and align with scorecard	Percent of respondents reporting a certain satisfaction score
	1C. Community Partner Involvement	Delete. Not strongly aligned with outcomes	
	1D. Service Innovation	Retain but redefine	Number of new or materially modified programs and events introduced in the reporting period
	1E. Volunteer Availability	Retain	Percent of volunteer opportunities that were successfully filled in the reporting period

	2018 Factor	Assessment	2019 Definition
FINANCE	2A. Fraud	Retain	Dollar value of fraud in the reporting period
	2B. Annual Funding	Retain but make less subjective	Per capita municipal grant
	2C. Allocation of Resources	Replace with efficiency measure	Operating cost per use
	2D. Planned Operating Expenditures	Retain but make less subjective	Operating fund year-end forecast
	2E. Planned Capital Expenditures	Retain but make less subjective	Annual change in tangible capital assets

	2018 Factor	Assessment	2019 Definition
OPERATIONS	3A. Building Visits	Retain	Percent change in visits from year earlier quarter
	3B. Website and Catalogue Visits	Retain	Percent change in visits from year earlier quarter
	3C. Facility Availability	Delete due to reassessment of level of risk	
	3D. Relationships in Joint Use Facilities	Delete due to reassessment of level of risk	
	3E. Collection	Retain and redefine	Circulation per capita
	3F. Staff Engagement	Retain and align with scorecard	TBD

	2018 Factor	**Assessment**	**2019 Definition**
SECURITY	5A. Incidents at Community Libraries	Retain	Number of incidents per 10,000 visits
	5B. Incidents at Central Library	Retain	Number of incidents per 10,000 visits

Rating Scales

The annual risk review includes an assessment of the likelihood and the impact of specific risk factors, which together comprise a matrix. Assessment of the likelihood and impact has been on a five-point scale, creating a 5 by 5 matrix.

Likelihood currently uses the following scale:

- Rare (Every 5 years) – 5 post-mitigation factors
- Unlikely (Every 2 to 4 years) – 4 post-mitigation factors
- Low (Every 2 years) – 1 post-mitigation factor
- Medium (Annually) – 10 post-mitigation factors
- High (More than 1 instance per year) – 1 post-mitigation factor

As there is little data that supports this level of distinction for our factors at the low likelihood end of the scale, Administration recommends consolidating into three levels of likelihood:

- Low – Less than every 2 years
- Medium – Between 1 and 2 years
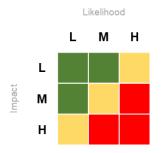- High – At least annually

Impact currently uses the following scale:

- Insignificant (No or minor impact) – 3 post-mitigation factors
- Low (Not important to the Board) – 9 post-mitigation factors
- Moderate (Report to the Board) – 8 post-mitigation factors
- High (Very important to the Board) – 1 post-mitigation factors
- Catastrophic (Threatens continuity) – 0 post-mitigation factors

Again, Administration recommends consolidating to three levels of impact, as follows:

- Low – Minor impact only
- Medium – Possibility of operational failure
- High – Possibility of strategic failure

The resultant 3 by 3 matrix would produce three colored zones, which would be used to characterize the individual risk factors in both their pre and post-mitigation states and create a method to triage results over the course of the year.

Likelihood

	L	M	H
L	🟩	🟩	🟨
M	🟩	🟨	🟥
H	🟨	🟥	🟥

Impact

The post-mitigation state, and more importantly, the actual reported value would be evaluated according to color, as in the table below:

🟩	Continue to Monitor
🟨	Review Management Controls
🟥	Review Strategic Goals

Lastly, the regular presentation of results has been reformatted to include all information about a risk factor on a single page and allow for additional commentary to explain the current reading alongside the known information and the recent results. An example of this format is attached to this report.

V.   CONCLUSION

The existing risk register garners favourable reviews among its stakeholders and reflects positively the risk management activities of Administration. This review was undertaken to ensure continued relevance of the risk factors identified, and to improve the communication of risk information with the intent of fostering an open and continuous dialogue around the attainment of strategic goals.

This report recommends a modest number of changes to risk factors and a streamlined presentation of risk-related information and status.

VI.   RECOMMENDATION

That the Audit and Finance Committee recommends this report, *2019 Annual Risk Review*, to the Calgary Pubic Library Board.

Attachments: 1] 2018 Heat Map
              2] Draft Risk Factor Dashboard