



P.O. Box 1749  
Halifax, Nova Scotia  
B3J 3A5 Canada

**Item No. 03**  
**Halifax Regional Council**  
**April 5, 2016**

**TO:** Mayor Savage and Members of Halifax Regional Council

**SUBMITTED BY:** Original Signed by   
\_\_\_\_\_  
John Traves, Q.C. Acting Chief Administrative Officer

**DATE:** February 19, 2016

**SUBJECT:** Risk Consideration in Council Reports

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### **SUPPLEMENTARY INFORMATION REPORT**

#### **ORIGIN**

At the April 14, 2015 meeting of Regional Council, Council accepted a recommendation from the Audit and Finance Standing Committee to “request a staff report assessing the establishment of a Risk Management Office for the Halifax Regional Municipality”.

At the June 2, 2015 meeting of Regional Council the Managing Risk Information Report was deferred “until staff completes research regarding adding a risk section to Council reports”. This report addresses inclusion of a Risk Consideration section in Council reports.

#### **LEGISLATIVE AUTHORITY**

34 (1) The Chief Administrative Officer is the head of the administrative branch of the government of the Municipality and is responsible to the Council for the proper administration of the affairs of the Municipality in accordance with the by-laws of the Municipality and the policies adopted by the Council.

(2) The Council shall communicate with the employees of the Municipality solely through the Chief Administrative Officer, except that the Council may communicate directly with employees of the Municipality to obtain or provide information.

48 (1) The Council shall annually appoint an audit committee.

- (2) The responsibilities of the audit committee include  
(f) any other matters as may be determined by the Council.

The Terms of Reference for the Audit and Finance Standing Committee state:

1 (1) The purpose of the Audit and Finance Standing Committee is to provide advice to the Council on matters relating to audit and finance.

(2) The other purposes of the Committee are to:

- (a) fulfill the requirements as outlined in Section 48 of the HRM Charter; and
- (b) assist the Council in meeting its responsibilities by ensuring the adequacy and effectiveness of financial reporting, risk management and internal controls.

4. The Audit and Finance Standing Committee shall:

- (d) ensure the adequacy and effectiveness of the systems of internal control in relation to financial controls and risk management as established by Administration;
- (e) review bi-annually with management the enterprise risk management and financial implications coming from such including: Environmental, Human Resources, Operational and the insurable risks and insurance coverage strategy of the municipality; and

## **BACKGROUND**

As described in the May 26, 2015 Managing Risk Staff Report (attached), staff have been developing a risk program for HRM. The four main activities detailed in the report were:

1. An Inventory of existing risk practices.
2. A strategic risk assessment for the municipality
3. Adding a risk section to Council reports
4. Developing a risk strategy
5. Staff training

The May 26, 2015 Staff Report outlined the status of these activities. The subject of this supplementary report deals with adding a risk section to Council reports as contemplated in the risk strategy as well ongoing oversight of the risk program development.

## **DISCUSSION**

Staff is using the ISO 31000 Standard on Enterprise Risk Management (ERM) to guide the risk management program development. Implementing ERM in an organization is about culture change, creating an environment where risk consideration is not an add on, but simply the way an organization functions on a day to day basis. Changing culture and behaviour takes careful planning, patience and perseverance to net incremental improvement over time. Staff is approaching risk management with this long term sustainable change in mind.

### **Risk Consideration in Council Reports**

Since the May 26, 2015 Staff Report, senior management has fully vetted the Risk Strategy and the acting CAO has approved it for implementation. One element of the strategy is the inclusion of a risk section in reports to Council and committees.

Adding a risk consideration section to staff reports will achieve the following outcomes in support of HRM's risk management program:

- Further integrate risk into organizational processes (ISO 31000 4.3.4)
- Formally advise Council of risks associated with the subject in question (transparency)
- Heighten staff attention to risks associated with recommendations (culture)
- Assure the public that HRM is proactively considering risks (credibility)

In order to fully implement a risk consideration section in council reports it will be necessary to provide report authors with appropriate orientation, support, and guidance. This orientation program will provide staff with the prerequisite knowledge and tools to incorporate risk consideration in the discussion section of a report and summarize those considerations in the risk consideration section. This work is underway and Council will begin to see risk consideration in reports commencing in April 2016.

As with any new process, it is important to ensure that this does not create an additional layer of unnecessary administration. To that end, staff will err on the side of simplicity to commence inclusion of risk in reports. Not every report will require an in depth risk assessment and staff will rely on Council's response to gauge the level of detail required to meet Council's needs.

Risk Program Oversight

The terms of reference for the Audit and Finance Standing Committee state:

"Audit and Finance Standing Committee shall:

(d) ensure the adequacy and effectiveness of the systems of internal control in relation to financial controls and risk management as established by Administration"

The roles and responsibilities outlined in risk strategy adopted by administration states:

"Audit and Finance Committee provides assurance to the Council on the effectiveness of the risk management framework and its application."

Staff will provide the Audit and Finance Standing Committee with updates on the evolution of the risk program and seek direction on adjustments to ensure adequacy and effectiveness of all aspects of risk management, including, but not limited to risk consideration in Council reports. Further reporting to Regional Council will flow through the regular Audit and Finance Standing Committee process.

**FINANCIAL IMPLICATIONS**

There are no direct financial implications of this report, however heightened attention to risks, including financial risks should serve to minimize negative financial impacts into the future.

**COMMUNITY ENGAGEMENT**

There was no community engagement in the preparation of this report.

**ATTACHMENTS**

Attachment A – May 26, 2015 Managing Risk Staff Report

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A copy of this report can be obtained online at <http://www.halifax.ca/council/agendasc/cagenda.php> then choose the appropriate meeting date, or by contacting the Office of the Municipal Clerk at 902.490.4210, or Fax 902.490.4208.

Report Prepared by: Ed Thornhill, Manager of Corporate Planning, 902.490.4480

Report Approved by: \_\_\_\_\_  
Amanda Whitewood, Director of Finance & ICT/CFO 902.490.6308]

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P.O. Box 1749  
Halifax, Nova Scotia  
B3J 3A5 Canada

**Item No. 7**  
**Halifax Regional Council**  
**May 26, 2015**

**TO:** Mayor Savage and Members of Halifax Regional Council

Original Signed

**SUBMITTED BY:** \_\_\_\_\_  
Greg Keefe, Director Finance and ICT

**DATE:** May 6, 2015

**SUBJECT:** Managing Risk

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### **INFORMATION REPORT**

#### **ORIGIN**

At the April 14, 2015 meeting of Regional Council, Council accepted a recommendation from the Audit and Finance Standing Committee to “request a staff report assessing the establishment of a Risk Management Office for the Halifax Regional Municipality”.

#### **LEGISLATIVE AUTHORITY**

- 35 (1) The Chief Administrative Officer shall:
- (c) be responsible for the administration of the budget after adoption;
  - (e) carry out such additional duties and exercise such additional responsibilities as the Council may, from time to time, direct.
- (2) The Chief Administrative Officer may:
- (d) subject to policies adopted by the Council,
  - (iv) establish departments of the municipal administration,
- 48 (1) The Council shall annually appoint an audit committee.
- (2) The responsibilities of the audit committee include
- (f) any other matters as may be determined by the Council.

The Terms of Reference for the Audit and Finance Standing Committee state:

- 1 (1) The purpose of the Audit and Finance Standing Committee is to provide advice to the Council on matters relating to audit and finance.

- (2) The other purposes of the Committee are to:
- (a) fulfill the requirements as outlined in Section 48 of the HRM Charter; and
  - (b) assist the Council in meeting its responsibilities by ensuring the adequacy and effectiveness of financial reporting, risk management and internal controls.

4. The Audit and Finance Standing Committee shall:

- (d) ensure the adequacy and effectiveness of the systems of internal control in relation to financial controls and risk management as established by Administration;
- (e) review bi-annually with management the enterprise risk management and financial implications coming from such including: Environmental, Human Resources, Operational and the insurable risks and insurance coverage strategy of the municipality; and

**BACKGROUND**

It was noted during the discussion on this matter at the Audit and Finance Standing Committee that the requested staff report, in addition to the assessment of a proposed Risk Management Office, should examine other options related to Risk Management such as the expansion of an existing role within the organization to include responsibilities regarding risk management, the creation of a new position within an existing Business Unit to evaluate risk, as well as exploring external services available in the private sector related to risk management.

Several reports from the Municipal Auditor General have identified issues with Risk Management and recommended HRM establish a Chief Risk Officer.

**DISCUSSION**

While staff agree that Halifax needs a more formal process for managing risks, staff do not feel the creation of a Chief Risk Officer is the best way to achieve this. In fact, it can place accountability for risk management with the Chief Risk Officer rather than with the Business Unit Directors, Project Managers and staff whose job it is to manage the risks.

The ultimate goal of an Enterprise Risk Management Program is to develop an organizational culture where a risk lens is embedded in everything the organization does. That type of culture change requires a sound framework with clear roles and responsibilities within the existing organizational structure that is well communicated and understood throughout the organization. Creating a separate and distinct structure around Risk Management gives the impression that someone else is responsible, enabling people to defer their risk responsibilities to a central unit rather than developing a sense of ownership necessary for the desired culture change.

Halifax is managing many risks on any given day, most of which do not need the attention of a senior manager. To do this more effectively Halifax does need a risk framework so that risks are managed consistently across the organization, and there is an appropriate reporting and escalation process in place.

Starting in 13/14, the Finance and ICT Business Unit was tasked with the evaluation of Risk Management in Halifax, and the development of a Risk Management program. This was identified in the FICT section of the 13/14 and 14/15 Budget books.

This initiative had four main activities:

1. An Inventory of existing risk practices.
2. A strategic risk assessment for the municipality

3. Adding a risk section to Council Reports
4. Developing a Risk Strategy
5. Staff Training

### **Inventory of Risk Practices**

The Risk and Insurance section within the Legal Services Business Unit has responsibility for all insurable risks. This function is well managed and works well with operational managers throughout the organization and there is nothing to be gained moving this to a different organizational structure.

An inventory of risk practices showed that business units are managing risks within their operations on an on-going basis. Finance and ICT track risks associated with financial controls and IT security. Police and Fire track risks associated with public safety. Parks and Recreation track risks associated with the operation of the various recreation programs and facilities, most relating to safety of the participants and staff.

There is a need for more consistency in the evaluation of the risks and more rigour in guidelines for reporting and escalation. This will be address with the adoption of the Risk Strategy.

There is less consistency with the management of project risks. This is related to a larger issue of project management skills within Halifax. We are training more in-house project managers, and evaluating all large projects to determine if they would benefit from hiring external project management skills.

### **Strategic Risk Assessment**

As a part of the 14/15 business planning cycle, a risk assessment was conducted for all Council Priority Outcome areas. The objective of this exercise was to identify, evaluate and treat any risks that could prevent Halifax from achieving the Council Priority Outcomes. Several of the initiatives in the 14/15 business plan were mitigation actions resulting from this work.

These risks have been entered into a risk register, summarized, and continue to be refined and monitored.

### **Adding a risk section to council reports.**

Staff have researched what some other municipalities do and are drafting instructions to staff for adding a risk section to Council Reports. The main issue here is to identify which reports would benefit from the effort and which wouldn't. This work will be completed in a few weeks.

### **Developing a Risk Strategy**

Staff have developed a risk strategy for the municipality, that is an approach for managing risk. It still needs a few workshops with management to vet all of the material, and then sign-off by the CAO before this can be rolled out.

The model proposed is based on ISO 31000 standard, but most of the various standards available are very similar in approach. There are several elements to the proposed strategy.

1. Risk Management Model

The proposed model has risks managed throughout the organization, with appropriate guidelines for reporting and escalation through the existing management hierarchy. Operational Managers manage Operation risks. The Risk and Insurance unit manage insurable risks. Project Managers, together with the steering committee for large projects, manage project risks. The senior management team, headed by the CAO, manage Strategic risks. When operational or project risks are of a certain level of materiality, they are reported/escalated to the senior management team. It also contains provision for reporting to and oversight by the Audit and Finance Standing Committee.

2. Roles and Responsibilities

As mentioned, under the proposed model risks are managed throughout the organization. That being said, different individuals have differing roles and responsibilities. The following table is still draft pending vetting with the CAO and the senior management team.

<b>Roles and Responsibilities</b>	
The Municipality considers risk management to be an intrinsic part of the organization's system of corporate governance. It is recognized that for this to be effective, it is vital that everyone within the organization understand the role they play in the effective management of risk. Outcomes of this strategy will be achieved by working closely with many business units such as Legal Services: Risk and Insurance, FICT: Corporate Planning, Planning and Development and more. The ultimate responsibility for risk management lies with the Chief Administrative Officer, however, it must be stressed that <b>risk management is the responsibility of everyone working in, for, and with Halifax Regional Municipality.</b>	
Tier	Responsibility
Chief Administrative Officer	Overall accountability for risk management. Oversee the significant risks faced by the organization in delivery on priorities, receiving regular reports from Directors identifying the significant risks and providing assurance that appropriate mitigation action has been identified and implemented.
Chief Financial Officer or Risk Management	The 'Risk Management Champion', promoting risk management and leading Senior Management engagement.
Audit & Finance Committee	Providing assurance to the Council on the effectiveness of the risk management framework and its application.
Executive Management Team (EMT)	Promoting, steering and monitoring risk management for the organization.
Business Unit Directors (SMT)	Accountable for effective risk management within their Business Units – this accountability cannot be delegated. Directors will provide assurance as to the effectiveness of the internal control environment.
Business Unit Risk Coordinators	Promoting, facilitating and championing the implementation of risk management within their BUs. Provide advice and guidance on the application of the Risk Management Strategy. They are the first point of call for risk related matters for their Business Unit providing operational support.
Service/Project Managers	Accountable for effective management of risk within their areas of responsibility
Risk Owners	The person that is accountable for the overall management of the risk, including bidding for resources to control the risk.
Control Owner	The person that has accountability for a particular task to control an aspect of the risk, either the Cause or the Effect. The role is accountable to the Risk Owner.

Employees	Maintaining an awareness / understanding of key risks and management of these in day-to-day activities. If an employee does not have control over the occurrence of a risk, the employee will implement strategies to reduce the impact of the risk if it does occur.
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3. Process

The proposed Risk Strategy contains a standardized approach for risk management based on ISO 31000. The steps are:

1. Establishing the context
2. Risk Assessment
  - a. Risk Identification
  - b. Risk Analysis
  - c. Risk Evaluation
3. Risk Treatment
4. Monitor and Review
5. Communication and consultation

To assist staff in risk analysis and evaluation, the Risk Strategy contains guidelines. All of these as presented here are still in draft pending vetting by the senior management team.

The first is intended to bring some consistency to staff's evaluation of the likelihood of a risk occurring:

Likelihood	Description
5-Almost Certain	<ul style="list-style-type: none"> <li>• 99% chance of occurrence within the next year</li> <li>• Impact is occurring now</li> <li>• Could occur within 'days to weeks'</li> </ul>
4-Likely	<ul style="list-style-type: none"> <li>• Greater than 50% chance of occurrence within the next year</li> <li>• Balance of probability will occur</li> <li>• Could occur within 'weeks to months'</li> </ul>
3-Possible	<ul style="list-style-type: none"> <li>• Greater than 10% chance of occurrence within the next year</li> <li>• May occur shortly but a distinct probability it won't</li> <li>• Could occur within 'months to years'</li> </ul>
2-Unlikely	<ul style="list-style-type: none"> <li>• Greater than 1% chance of occurrence within the next year</li> <li>• May occur but not anticipated</li> <li>• Could occur in 'years to decades'</li> </ul>
1-Rare	<ul style="list-style-type: none"> <li>• Less than 1% chance of occurrence within the next year</li> <li>• Occurrence requires exceptional circumstances</li> <li>• Exceptionally unlikely, even in the long term future</li> <li>• Only occur as a '100 year event'</li> </ul>



The second gives guidance for assigning an impact rating to a risk. It also highlight that there are many types of impacts

Level	Financial (loss or gain)	Environmental	Service Delivery	People	Culture/Heritage	Reputation	Legal & Compliance
<b>5 Extraordinary</b>	>\$15 mil	- Long term harm - Major opposition to the use of sustainable resource (energy, waste, water, etc.) which is sustainable long term.	-Critical service loss for more than one month -Sustained exceptionally high level of customer dissatisfaction with the quality of service they receive -Customers express utter disdain towards the city	-Multiple fatalities or in combination with severe injuries	-Irreparable damage to highly valued items of cultural significance	-Long term effect on brand and reputation -Widespread prolonged public or media attention (international or national coverage)	-Major litigation costing over \$15mil - Investigation by regulatory body resulting in interruption to operations -Possibility of custodial sentence
<b>4 Major</b>	\$5mil - \$15mil	-Significant medium term harm -No significant improvement in the use of sustainable resource	-Critical service loss for up to one month -Customer service levels are at such a poor standard that most customers are aware of them -Constant widespread negative customer feedback on service levels	-Single fatality or irreversible disability or impairment to one or more people	-Significant damage to structures or items of cultural significance	-Significant media, public or Government attention -Embarrassment for Government Consistent and continued expression of views by key stakeholders	-Major breach of regulation with punitive fine -Significant litigation involving many weeks of senior management time
<b>3 Moderate</b>	\$1mil - \$5mil	-Moderate short term harm -No noticeable effect on sustainability	-Critical service lnot available for several days -Many ongoing negative customer comments on the service levels	-Hospitalization required -Medium term, largely reversible disability to one or more people	-Permanant damage to items of cultural significance	-Attention from media or heightened investor and stakeholder interest -Absorbs management attention for weeks	-Breach of regulation with investigation or report to authority with prosecution or mederate fine
<b>2 minor</b>	\$10k - \$1mil	-Transient minor effects	-Local only service loss for a few hours -A few negative customer comments on the service they receive	-Reversible disability requiring hospital treatment	-Mostly repairable damage	-Minor local public or media attention -No perceivable impact on performance	-Minor legal issues, non-compliance and breaches of regulation
<b>1 Insignificant</b>	<\$10k	-Limited effect to something of low significance	-Negligible impact, brief loss of service -Very few negative comments by the customer on the service they receive	Minor medical treatment required	-Low-level repairable damage to commonplace structures	-Local interest only, dealt with internally	-Minor breach of regulation

After assigning a value of one to five for both likelihood and impact, the following table proposes escalation guidelines:

		Impact				
		1 Insignificant	2 Minor	3 Moderate	4 Major	5 Extraordinary
Likelihood	5 Almost Certain	Moderate	High	Very High	Very High	Very High
	4 Likely	Moderate	High	High	Very High	Very High
	3 Possible	Low	Moderate	High	High	Very High
	2 Unlikely	Low	Low	Moderate	High	High
	1 Rare	Low	Low	Moderate	Moderate	High

The use of a standardized process and the tables to use for guidance when scoring a risk, will permit comparing the materiality of risk across the municipality.

4. Risk tolerance

All risks have an inherent level of likelihood and impact. After treatment – reduce, transfer, avoid – there is a residual level of risk that the municipality is accepting. This is our risk tolerance. Higher risk tolerance is needed to become more innovative, but is not appropriate for all areas of the organization. Public safety, financial controls and personal privacy would have a lower risk tolerance than service delivery or recruitment.

**Staff Training**

Once the process for Council Reports and the Risk Strategy are approved, staff training will begin.

**Conclusions:**

The CAO and CFO met with the Auditor General to discuss our proposed approach to this. While it would not be appropriate for an Auditor General to sign off on a proposed staff plan, the CAO and CFO did review this approach with our Municipal Auditor General. He is pleased and encouraged with the significant progress made, and looks forward to seeing it implemented.

**FINANCIAL IMPLICATIONS**

There are no financial implications associated with this report.

**COMMUNITY ENGAGEMENT**

There was no community engagement for this report.

**ATTACHMENTS**

- A. Draft Risk Strategy
- B. Draft Strategic Risk Register

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A copy of this report can be obtained online at <http://www.halifax.ca/council/agendasc/cagenda.php> then choose the appropriate meeting date, or by contacting the Office of the Municipal Clerk at 902.490.4210, or Fax 902.490.4208.

Report Prepared by: Greg Keefe/Director Finance and ICT 902.490.6308

Report Approved by: \_\_\_\_\_  
Greg Keefe/Director Finance and ICT 902.490.6308

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**DRAFT**  
**2015/05/01**

**Risk Management Strategy**

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# Preface

This Risk Management Strategy is intended to be a high level document that provides a framework to support Halifax Regional Municipality’s responsibility for managing risk. It also allows the Municipality to further strengthen and improve its approach to risk management enhancing its ability to deliver its corporate aims and objectives successfully.

The Risk Management Strategy sets out key objectives across a three year rolling period but will be reviewed annually to ensure it remains fit for purpose.

# Version Control

Date	Version Number	Comments
30.05.14	1.0	Risk Management Strategy created
09.07.14	2.0	Updated from CFO meeting on 27.06.14
28.07.14	3.0	Updated from CFO meeting on 28.07.14
15.04.15	3a	Updated by CFO
15.04.30	4.0	Updates by CFO

**HALIFAX REGIONAL MUNICIPALITY'S  
RISK MANAGEMENT POLICY STATEMENT**

**HALIFAX REGIONAL MUNICIPALITY (HRM) RECOGNIZES AND ACCEPTS ITS RESPONSIBILITY TO MANAGE RISKS EFFECTIVELY IN A STRUCTURED MANNER IN ORDER TO ACHIEVE ITS OBJECTIVES AND ENHANCE THE VALUE OF SERVICES PROVIDED TO THE COMMUNITY**

In pursuit of this policy, HRM has adopted a risk management strategy that captures the following key objectives:

- Enables corporate, business unit and program objectives to be achieved and to manage risks and maximize opportunities which may impact on HRM's success;
- HRM recognizes its responsibility to manage risks and support a structured and focused approach that includes risk taking in support of innovation to add value to service delivery;
- Risk management is seen as an integral element of the corporate culture.

These key objectives will be achieved by:

- Establishing clear roles, responsibilities and reporting lines for risk and their controls at all levels;
- Ensuring the communication of risk information to decision-makers up and down the organization (as a mechanism for the governance of risk management) as opposed to a prescriptive mechanism for the management of specific risk;
- Ensuring that senior management, Council members, external regulators and the public at large can obtain necessary assurance that the Municipality is managing risks and managing opportunities to deliver more value to the community;
- Providing opportunities for shared learning on risk management across the Corporation and its strategic partners;
- Monitoring on an on-going basis.

**APPETITE FOR RISK**

Halifax Regional Municipality seeks to minimize unnecessary risk and manage related residual risk to a level commensurate with its status as a public body so that:

- i. The risks have been properly identified and assessed;
- ii. The risks will be appropriately managed, including the taking of appropriate actions and the regular review of risk(s):

Halifax Regional Municipality will also proactively decide to take risks in pursuit of its strategic aims where it has sufficient assurances that the potential benefits justify the level of risk to be taken.



## **GUIDING PRINCIPLES**

The following principles shall guide the risk management practices of Halifax Regional Municipality:

Principle 1: Clearly defined purpose, roles and responsibilities

Principle 2: Demonstrate the Municipality's shared values through our people, performance and conduct

Principle 3: Commit to continually improve and add value in all we do

Principle 4: Comprehensively measure and report on our risk performance

## Chapter 1: Introduction

Halifax Regional Municipality (HRM) is Nova Scotia's largest and most diverse municipality with more than 43 per cent of the province's population residing within its boundaries. The land area of the municipality – equal to 5,577 square kilometers (2,224 square miles) or slightly larger than Prince Edward Island - is home to 408,700 residents living in nearly 200 communities.

In this expansive and rapidly changing environment, with changing demographics and the continual demand on services, HRM is faced with challenges to deliver its statutory obligations, provide continued high quality services, without increasing the tax burden on citizens and businesses.

All public sector entities face pressures to innovate and do things differently in order to achieve better outcomes and meet the expectations of governments, stakeholders and citizens. This Strategy, together with the Making a Difference handbook and the associated Plan on a Page has been developed to empower change and provide guidance on the Municipality's approach to managing both opportunities and threats within the business environment and through adoption will help to create an environment which leverages emerging trends and their transformative benefits.

HRM is committed to ensuring risk management is a core capability and an integral part of all corporate activities. Only by active management of risks will Halifax Regional Municipality be able to meet its corporate objectives which, in turn, will enhance the value of services provided to the Municipality.

## What is Risk and Risk Management?

Managing risk at HRM is an integral part of good management practice and is something many managers do already in one form or another by implicitly building it into their programming and decision-making.

Although the term “risk” may not be used when these activities are undertaken, the concept of risk is central and the activities share a common objective, namely to recognize and prepare for a range of possible future outcomes.

The word “risk” is a very common term used in everyday language and will be referred to by many professions from both the public and private sector. It is a concept which has grown from being used to describe a narrow field of risks which are to be avoided, to a wider, more holistic focused world where importance is placed on seizing opportunities and how to manage risk rather than avoiding it.

The following definition for risk has been adopted by Halifax Regional Municipality:

### **“The effect of uncertainty on objectives”**

Risk management is a business discipline that managers employ to achieve objectives in an efficient, effective and timely manner. Our risk management definition is:

### **“The systematic application of principles, approach and processes to the tasks of identifying and assessing risks, and then planning and monitoring risk responses.”**

The Enterprise Risk Management (ERM) Program is the name given to the Municipality’s organizational-wide approach to risk management and is designed so that potential risks and opportunities are identified, prioritized and managed on an ongoing basis. The ERM framework is based on internationally recognized risk management principles from ISO 31000 to manage change and uncertainty. While all organizations manage risk to some degree, this International Standard establishes a number of principles that need to be satisfied to make risk management effective.

The ERM framework will apply to all Business Units at strategic and operational levels, and will assist in achieving HRM’s strategic objectives by bringing a leading practice and a systematic approach to identifying, analyzing, mitigating and reporting on risk and control.



## Purpose of this Strategy

Municipalities and Cities are, by their very nature, complex public sector entities comprising a number of business units with very diverse operations along with numerous laws, regulations, policies and agreements affecting their operating environment. By adhering to this strategy, Halifax Regional Municipality will be better placed to meet all its objectives in an efficient, effective and timely (focused) manner as well as create a culture of innovation that continually seizes opportunities.

Every strategic risk is linked to a priority outcome and this strategy will help enforce a proactive stance to managing these risks, ensuring that less time is spent reacting to situations and more time is spent taking advantage of opportunities.

Listed below are some of the benefits of successfully implementing this strategy:

- Facilitate open communication up and down the organization and between the administration and Halifax Regional Council with respect to risk;
- An increased likelihood that strategic objectives will be achieved by understanding critical risks and opportunities impacting them;
- Protecting and enhancing Halifax Regional Municipality's reputation;
- Greater transparency in decision-making and enhanced ability to justify actions taken;
- Better management and partnership working with HRM partners, improving safeguards against financial loss and reducing chances of organizational failure;
- Increased innovation and improvements in service delivery;
- Common understanding of risk management terminology for consistency and ease of application;
- Effective resilience to changing environmental conditions, to protect key services

## Chapter 2: Why Manage Risks

Effective risk management is an on-going process with no overall end date as new risks (threats and opportunities) arise all the time. HRM is fully committed to developing a culture where risk is appropriately and effectively managed for which the following benefits will be achieved:

- An increased focus on what needs to be done (and not done) to meet objectives;
- More effective allocation of resources reducing incidences of mistakes and providing greater control of costs – demonstrating value for money
- Greater transparency in decision-making and enhanced ability to justify actions taken;
- Improved resilience against sudden changes in the environment, including, but not limited to, natural disasters and risks related to supplier failures;
- Reduction of the Corporation’s insurance costs, in turn, protecting the public purse;
- Improved safety for staff, partners and residents; and
- Minimized losses due to error or fraud across the Administration
- Ability to proceed without certainty

### Risk-Based Governance and Innovation

Innovation by its very nature involves taking risks. This places greater demand on all of us to ensure that those risks are well managed. One of the key aims of risk management is to ensure that the process supports innovation, not by preventing it, but rather helping to take well thought through risks that maximize the opportunities of success.

Risk-based governance ensures that the community has trust and confidence in the decisions we make together. It is the systems, processes, policies and practices developed to deliver efficient and effective decisions, services and facilities so that they meet the municipality’s objectives of a sustainable, vibrant, livable, mobile and prosperous community. Important indicators of success also include:

- The Mayor and Councillors providing risk-based governance and leadership to the community while reflecting the community’s collective aspirations;
- A “risk aware” culture and principles that are part of the lifeblood of HRM and are understood across the organization as they are the foundation of the Municipality and affect every aspect of business from decision-making, financial viability to ultimately its long-term sustainability
- A corporate strategy that ties back to risk management policy principles so employees understand the importance of a “risk aware” culture and how it contributes to HRM’s success.
- A “risk aware” management and staff culture which supports the effective and consistent management, reporting and escalation of risk;
- Increase opportunities and secure positive outcomes through responsible risk taking such as the provision of services which meet the community’s needs sometimes in partnership with other levels of government, business or community organizations using innovative forms of delivery,

- Highlight the core values of HRM, and publicize what HRM stands for by incorporating employee perspectives on HRM’s “risk aware” culture to attract the right type of people and the next generation of leaders while ensuring cultural alignment

### Roles and Responsibilities

The Municipality considers risk management to be an intrinsic part of the organization’s system of corporate governance. It is recognized that for this to be effective, it is vital that everyone within the organization understand the role they play in the effective management of risk. Outcomes of this strategy will be achieved by working closely with many business units such as Legal Services: Risk and Insurance, FICT: Corporate Planning, Planning and Development and more. The ultimate responsibility for risk management lies with the Chief Administrative Officer, however, it must be stressed that **risk management is the responsibility of everyone working in, for, and with Halifax Regional Municipality.**

Tier	Responsibility
Chief Administrative Officer	Overall accountability for risk management. Oversee the significant risks faced by the organization in delivery on priorities, receiving regular reports from Directors identifying the significant risks and providing assurance that appropriate mitigation action has been identified and implemented.
Chief Financial Officer or Risk Management	The ‘Risk Management Champion’, promoting risk management and leading Senior Management engagement.
Audit & Finance Committee	Providing assurance to the Council on the effectiveness of the risk management framework and its application.
Executive Management Team (EMT)	Promoting, steering and monitoring risk management for the organization.
Business Unit Directors (SMT)	Accountable for effective risk management within their Business Units – this accountability cannot be delegated. Directors will provide assurance as to the effectiveness of the internal control environment.
Business Unit Risk Coordinators	Promoting, facilitating and championing the implementation of risk management within their BUs. Provide advice and guidance on the application of the Risk Management Strategy. They are the first point of call for risk related matters for their Business Unit providing operational support.
Service/Project Managers	Accountable for effective management of risk within their areas of responsibility
Risk Owners	The person that is accountable for the overall management of the risk, including bidding for resources to control the risk.
Control Owner	The person that has accountability for a particular task to control an aspect of the risk, either the Cause or the Effect. The role is accountable to the Risk Owner.
Employees	Maintaining an awareness / understanding of key risks and management of these in day-to-day activities. If an employee does not have control over the occurrence of a risk, the employee will implement strategies to reduce the impact of the risk if it does occur.

## Chapter 3: The Risk Management Process

Risk management is the process by which risks are identified, evaluated, controlled and monitored at regular intervals. It is about managing resources wisely, evaluating courses of action to support decision-making, protecting clients from harm, safeguarding assets and the environment and protecting the Municipality's public image.

Whenever an activity takes place, there will be an outcome that will either lead to a success or failure. In undertaking the activity, there will be a number of factors which need to be right to determine whether the activity is a success or not, or to put it the other way round, there are a number of risk factors which, if they are not managed properly, will result in failure rather than success.

Risk Management is also a business planning tool designed to provide a methodical way for addressing risks. It is about:

- Identifying the objectives and what can go wrong;
- Acting to avoid it going wrong or to minimize the impact if it does;
- Realizing opportunities and reducing threats.

### The Evolution of Risk Management

The evolution of risk management from "Traditional Risk Management" (Operational or Insurable Risk) to Enterprise Risk Management is a reflection of the increasing complexity of the internal and external environment in which organizations operate where many more things can go wrong and with more far-reaching consequences.

Because strategic issues arising from political, economic, socio-cultural, technology, environmental or legislative considerations, affect the whole of an organization, and not just one or more of its parts, strategic risks can potentially carry very high stakes. They can have very high hazards and high returns and are as a consequence, managed at board level forming a key part of strategic management. Strategic risks, therefore, emerge as a great concern in public sector horizon scanning, policy formulation, and implementation than they would for the private sector.

In all cases, whether strategic or operational in nature, public tolerance for ineffective risk management associated with service delivery, particularly where taxpayer dollars are involved, is low.

## Risk Management Hierarchy

A risk management hierarchy exists (Figure 1), where strategic risks are identified on both a Business Unit and a corporate, collective level. For clarity, when we talk about Strategic Risk, we refer to corporate risk, as managed by the Chief Administrative Officer.

Strategic risks are those that are identified as likely to have an impact on the achievement of Halifax Regional Municipality's Priority Outcomes. One or more of the following criteria must apply:

- The risk relates directly to one or more of the Priority Outcomes.
- A Business Unit risk that has significant impact on multiple operations if realized.
- The risk has been identified as present for a number of Business Units
- There are concerns over the adequacy of Business Unit arrangements for managing a specific risk

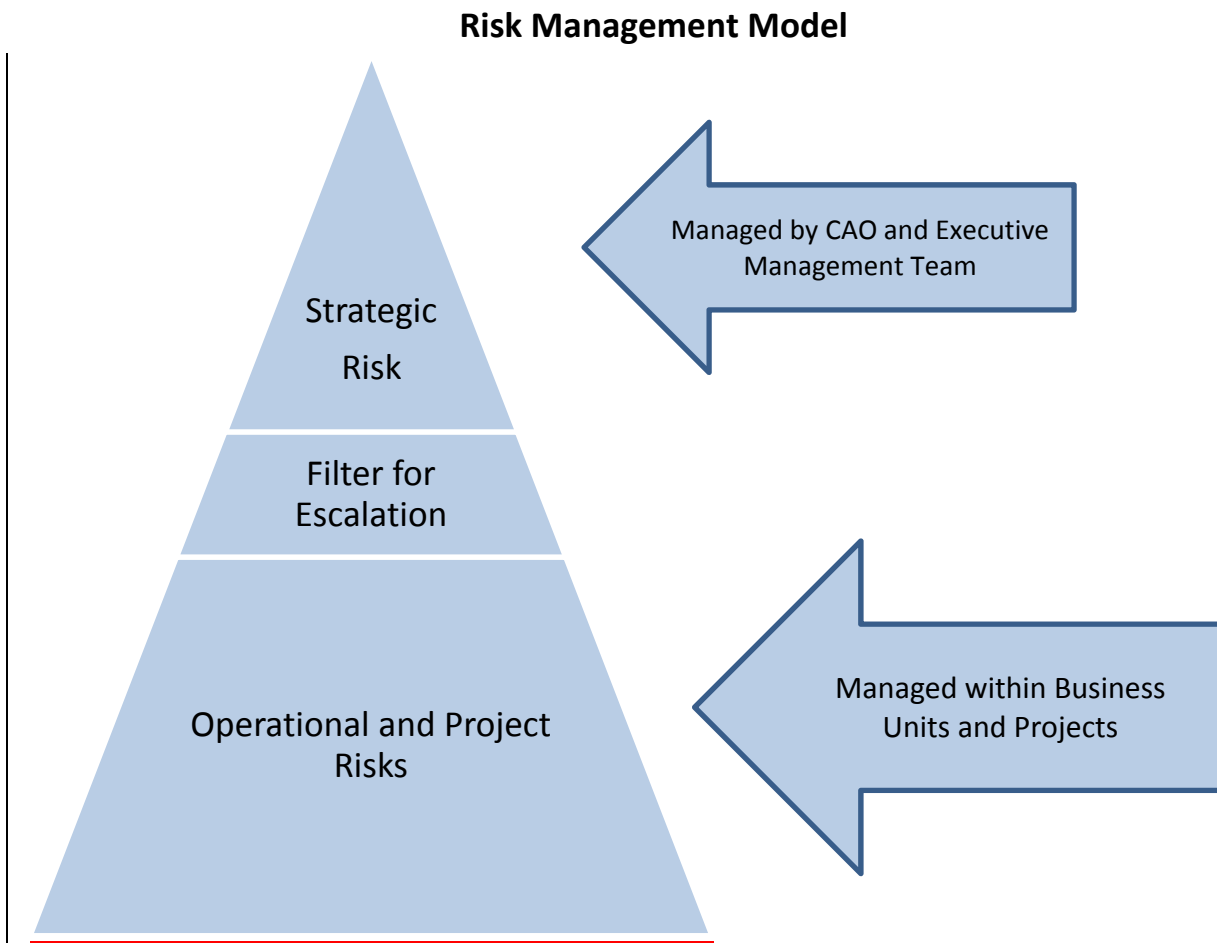


Figure 1: Hierarchy exists on both a corporate and a business unit level



## CAN/CSA-ISO 31000-10, Risk Management: Principles and Guidelines

HRM's methodology for risk management is based on the first edition of CAN/CSA-ISO 31000-10, Risk Management – Principles and Guidelines. This document is an adoption without modification of the identically titled ISO (International Organization for Standardization) Standard ISO 31000 (first edition, 2009-11-15).

While all organizations manage risk to some degree, this International Standard establishes a number of principles that need to be satisfied to make risk management effective. This International Standard recommends that organizations develop, implement and continuously improve a framework whose purpose is to integrate the process for managing risk into the organization's overall governance, strategy and planning, management, reporting processes, policies, values and culture.

The generic approach outlined in ISO31000-10, provides the principles and guidelines for managing any form of risk in a systematic, transparent and credible manner and within any scope and context. This approach is (as shown in Figure 2) simply a flow chart expression of the risk management activities. The process is continuous and can be applied at the HRM (enterprise) level or at an individual administrative or business unit level.

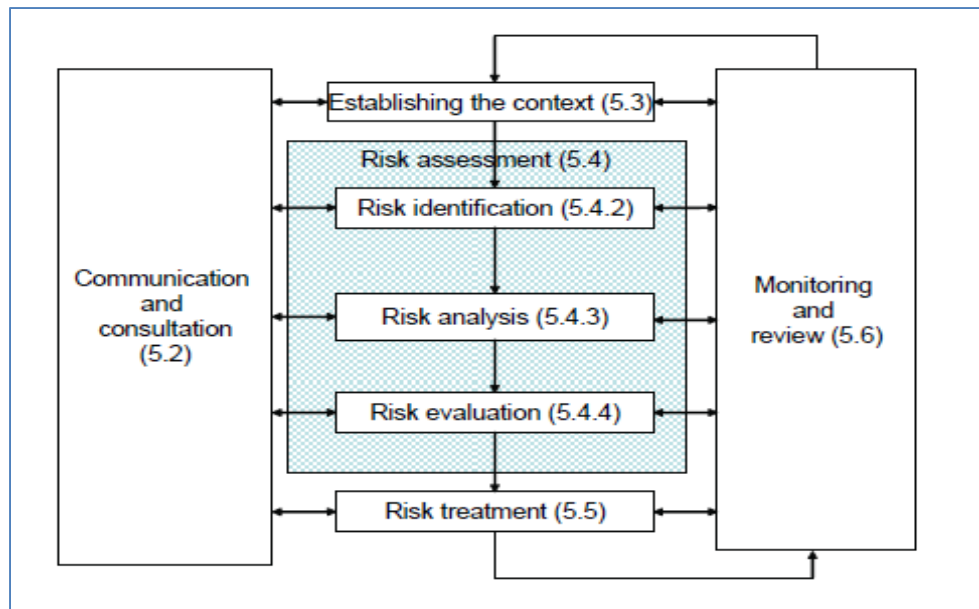


Figure 2: Risk Management Process: Halifax Regional Municipality's risk management approach is based on CAN/CSA-ISO 31000. Risk management can be applied to an entire organization, at its many areas and levels, at any time, as well as to specific functions, projects and activities. There is only one ERM framework per organization, but there are perhaps thousands of risk management processes where risks are considered and controls implemented to achieve the organization's objectives. (*The Journal of Policy Engagement, Vol 2, No.3, June 2010*).

## **Establishing Risk Management Policy**

The risk management policy should clearly state the organization's objectives for, and commitment to, risk management and typically addresses the following: The organization's rationale for managing risk; Links between the organization's objectives and policies and the risk management policy; Accountabilities and responsibilities for managing risk; The way in which conflicting interests are dealt with; Commitment to make the necessary resources available to assist those accountable and responsible for managing risk; Way in which risk management performance will be measured and reported; and Commitment to review and improve the risk management policy and framework periodically and in response to an event or change in circumstances.

### **Step 1: Understanding the Organization and Its Context**

Before starting the design and implementation of the framework for managing risk, it is important to evaluate and understand both the external and internal context of the organization, since these can significantly influence the design of the framework.

External context comprises the social and cultural, political, legal, regulatory, financial, technological, economic, natural and competitive environment, whether international, national, regional, or local; Key drivers and trends having impact on the objectives of the organization; and Relationships with, and perceptions and values of, external stakeholders

Internal context comprises Governance, organizational structure, roles and accountabilities; Policies, objectives, and the strategies that are in place to achieve them; Capabilities, understood in terms of resources and knowledge; Information systems, information flows and decision-making processes; Relationships with, and perceptions and values of, internal stakeholders; Organization's culture; Standards, guidelines and models adopted by the organization; and Form and extent of contractual relationships.

### **Step 2: Risk Identification**

The organization should identify sources of risk, areas of impacts, events (including changes in circumstances) and their causes and their potential consequences. The aim of this step is to generate a comprehensive list of risks based on those events that might create, enhance, prevent, degrade, accelerate or delay the achievement of objectives. It is important to identify the risks associated with not pursuing an opportunity. Comprehensive identification is critical, because a risk that is not identified at this stage will not be included in further analysis. Relevant and up-to-date information is important in identifying risks. This should include appropriate background information where possible. People with appropriate knowledge should be involved in identifying risks.

### Step 3: Risk Analysis

Risk analysis involves developing an understanding of the risk. It provides an input to risk evaluation and to decisions on whether risks need to be treated, and on the most appropriate risk treatment strategies. Risk analysis can also provide an input into making decisions where choices must be made and the options involve different types and levels of risk.

Risk analysis involves consideration of the causes and sources of risk, their positive and negative consequences, and the likelihood that those consequences can occur. Factors that affect consequences and likelihood should be identified. Risk is analyzed by determining consequences and likelihood, and other attributes of the risk. An event can have multiple consequences and can affect multiple objectives. Existing controls and their effectiveness and efficiency should also be taken into account.

		Impact				
		1 Insignificant	2 Minor	3 Moderate	4 Major	5 Extraordinary
Likelihood	5 Almost Certain	Moderate	High	Very High	Very High	Very High
	4 Likely	Moderate	High	High	Very High	Very High
	3 Possible	Low	Moderate	High	High	Very High
	2 Unlikely	Low	Low	Moderate	High	High
	1 Rare	Low	Low	Moderate	Moderate	High

Figure 3: Halifax Regional Municipality's Risk Matrix: Every risk should be assessed to help determine how much attention is given to the particular event. This is done by ranking the risks with a set of scores determined by their individual likelihood and impact rating. See Appendix 1: Risk Scoring for details on how risks should be scored

Specifically, the aim of this step is to identify the risks to the (planned activity) that may affect the achievement of the objective(s), which can either be positive or negative. Consultation is required from different levels of management and staff members asking the following questions:

- What might prevent the achievement of the stated objectives?
- Has it gone wrong before:
- Who should own the risk?
- When should we start managing the risk?

It is widely recommended to identify risks through workshops and/or training sessions. There are many methods which can be used such as questionnaires, a Strengths, Weaknesses, Opportunities, Threats analysis in brainstorming sessions and more. (See Figure 4 for examples of workshop materials).

## Step 4: Risk Evaluation

The purpose of risk evaluation is to assist in making decisions, based on the outcomes of risk analysis, about which risks need treatment and the priority for treatment implementation.

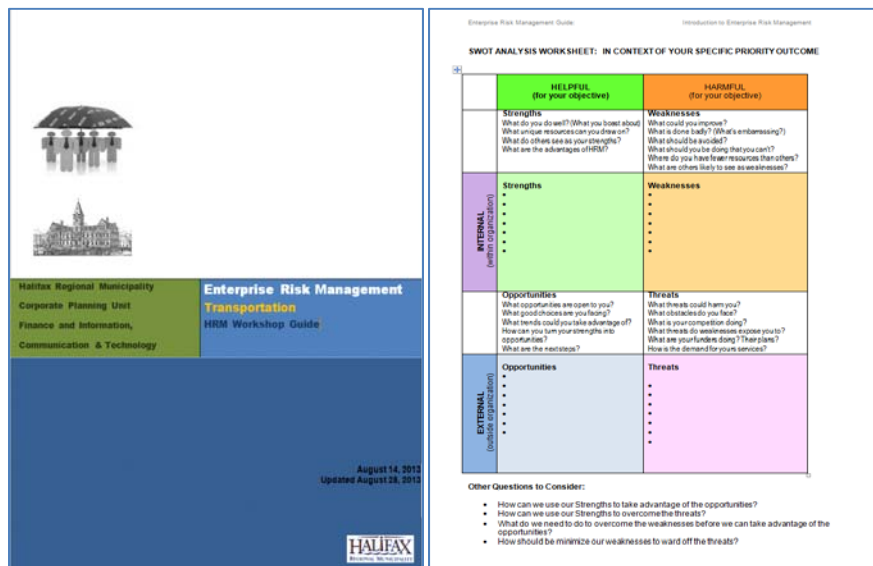


Figure 4: During the strategic risk identification stage in 2013, the following workshop templates were developed to gather information from workshop participants: Enterprise Risk Management Workshop Guide comprised of SWOT Analysis (as seen above) and PESTLE (Political, Economic, Social, Technological, Legal and Environmental) aspects as a vehicle for understanding the internal and external context leading up to the identification of risks.

## Step 5: Risk Tolerance

Following the strategic risk assessment phase, the Risk Appetite or Tolerance must be established by senior management. The overall purpose of developing a formal risk philosophy statement for an organization is that it:

- provides guidance to staff around an organization's overall approach and perception of risk (and risk taking) when making decisions and pursuing its objectives;
- articulates the areas where an organization is willing (and not) willing to consider greater amounts of risk;
- establishes the boundaries in which risks can be taken (i.e, fiscal responsibility, public trust);
- aligns executive's view on risk; and
- highlights both the positive side of risk taking (entrepreneurship) and risk mitigation

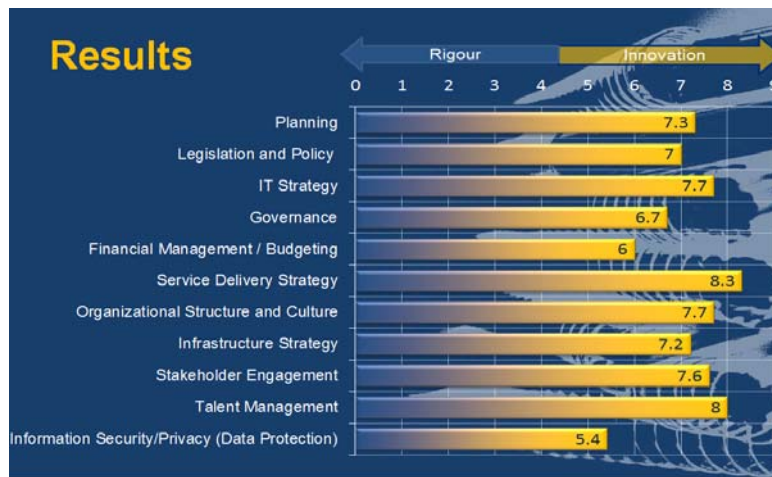


Figure 5: An electronic voting system was used to determine the Municipality's risk tolerance level.

## Step 6: Risk Treatment

Risk treatment involves selecting one or more options for modifying risks, and implementing those options. Addressing risk involves taking practical steps to manage and control it. Not all risks need to be dealt with in the same way. The common risk response outlined below should help in considering the range of options available when responding to risks. Importantly, when agreeing to actions to control risk, consideration is required on whether the actions themselves introduce new risks.

### Threat Responses

When managing threats, the controls that are put in place should help to effectively reduce the risk to an acceptable level. There are four approaches that can be taken when deciding on how to manage threats.

- **Reduce:** A selective application of management actions, by applying internal control to reduce either the likelihood or the impact, or both, designed to contain risk to acceptable levels, i.e., internal controls, contingency planning, etc;
- **Transfer:** Shifting part of the responsibility or burden for the loss to another party i.e, through outsourcing, insurance, etc
- **Avoid:** An informed decision not to become involved in a risk situation. This can be challenging as Halifax Regional Municipality may not be able to avoid risks associated with its statutory functions or obligations.
- **Accept:** An informed decision to accept the likelihood and impact of a particular risk. For example, the ability to do anything about a risk may be limited, or the cost of taking any action may be disproportionate to the potential benefit.

Once implemented, treatments provide or modify the controls. Selecting the most appropriate risk treatment option involves balancing the costs and efforts of implementation against the benefits derived, with regard to legal, regulatory, and other requirements such as social responsibility and the protection of the natural environment. Decisions should also take into account risks which can warrant risk treatment that is not justifiable on economic grounds, e.g., severe (high negative consequences) but rare (low likelihood) risks. A number of treatment options can be considered and applied either individually or in combination. The organization can normally benefit from the adoption of a combination of options.

## Ownership of Risks and Controls

Having identified and defined the risks, it is essential that someone “owns” them (i.e. the risk owner). This is not the same as being responsible for carrying out the tasks or actions for the risk (i.e, the control owner). This is a critical part of the step as without a named individual, it is unlikely that the risk will be managed.

### Risk Owner

It is important that the risk owner, where possible, be:

- A person who has the ability to influence the outcome of the event, one way or another;

- A person who can be accountable for the delivery in the area where the risk would have an effect;
- A person who can take charge and lead nominated control owners.

From a Business Unit viewpoint, the risk owner should be a member of the Business Unit’s management team.

**Control Owner**

Control owners are responsible for carrying out the tasks or actions for the risk, as assigned by the risk owner. It is important to note that:

- Control owners can be different from the Risk owner;
- Control owners can be from a different Business Unit to the Risk owner;
- A risk may contain many controls, therefore, many control owners, however only on an exceptional basis would one control be assigned to multiple risks.

Control owners can be any employee within the organization, but must have an adequate reporting line to the Risk owner.

**Step 7: Monitor and Review**

Once risks have been identified and appropriate controls and action plans put in place to manage them, it is essential to routinely monitor their status. Risks change due to many factors, and it is essential that they are periodically reviewed to capture any new events which may affect the delivery of organizational objectives.

As a guide, risks should be reviewed in management meetings using the following criteria:

Risk Type	Standard Review	Projects and partnerships
Very High Threats	1-3 months	Monthly
High Threats	3 months	Monthly
Moderate Threats	6 months	Quarterly
Low Threats	12 months	Quarterly

**Note:** At least annually, each risk register should be reviewed in its entirety

The organization should also undertake the following:

- Measure risk management performance against indicators, which are periodically reviewed for appropriateness;
- Periodically measure progress against, and deviation from, the risk management plan;
- Periodically review whether the framework, policy and plan are still appropriate, given the organizations' external and internal context;
- Report on risk, progress with the risk management plan and
- How well the risk management policy is being followed; and
- Review the effectiveness of the risk management framework.



## **Chapter 4: Reporting Risks**

As outlined in International Standard ISO 31000; 2009 Risk Management Principles and Guidelines, the organization should establish internal communication and reporting mechanisms in order to support and encourage accountability and ownership of risk. These mechanisms should ensure that: Key components of the risk management framework, and any subsequent modifications, are communicated appropriately; there is adequate internal reporting on the framework, its effectiveness and the outcomes; relevant information derived from the application of risk management is available at appropriate levels and times; and there are processes for consultation with internal stakeholders. These mechanisms should, where appropriate, include processes to consolidate risk information from a variety of sources, and may need to consider the sensitivity of the information.

### **Reporting Framework**

It is essential that risk management is used as a tool to assist good management and to provide assurances to senior management and Regional Council that adequate measures have been taken to manage risk.

Escalation of risks ensures that managers have a clearer picture on risks or potential issues facing service areas. This helps in the overall decision making process by allowing senior staff to allocate resources or review areas of concern. An illustration of the reviewing and reporting framework to support this escalation and assurance process is featured on the following page.

### **Role of Audit and Finance Committee**

As set in its formal terms of reference, the Audit and Finance Committee is responsible for monitoring and overseeing the Municipality's risk management strategy and be satisfied that the assurance framework properly reflects the risk environment. It is through this Committee that Regional Council discharges its responsibility for obtaining assurance that those risks faced by the Municipality are being appropriately managed.

### **Role of Other Committees and Business Units**

It is the role of each Business Unit and Project manager to maintain and act on its own risks. It is only when risk reach a pre-defined threshold that they are escalated.

The Audit and Finance Committee will concentrate on monitoring the Corporate Risks faced by the Municipality, and the measures taken to control the risk. The Audit and Finance Committee will also seek assurance regarding the effective operation of the framework at Committee level.

## Risk Registers

Key risk registers are listed below:

<b>Corporate (Strategic and Operational) Risk Register</b>	The Corporate Risk Register is used to highlight and assure Regional Council that key risks are being effectively managed. These risks are extracted from various area of the Municipality's risk system. See Glossary for definition of Corporate Risk.
<b>Program and Project Risk Registers</b>	Where it is considered appropriate, major partnerships, programs and projects will produce and maintain their own risk registers.

## Challenge Environment

There is strong support framework in the Municipality to challenge risks and to provide assistance to Business Units. Listed below are some of the key groups which assist with this:

<b>Audit and Finance Committee</b>	On a periodic cycle each Corporate risk and a nominated Business Unit Risk Register is challenged by Members of the Audit and Finance Committee. These sessions allow Directors to demonstrate how risks are being managed and allow Members to directly question any areas of interest.
<b>Executive Management Team</b>	Each quarter the Executive Management Team review all the top risks for the Municipality and challenge and moderate as necessary. Corporate risks are escalated by the Business Unit Teams and upon approval are escalated to the Audit and Finance Committee.
<b>Business Unit Risk Coordinators</b>	<p>The risk coordinators provide advice and guidance on the application of the application of the Risk Management Strategy. They are the first point of call for risk related matters for their Business Unit providing operational support.</p> <p>The Risk Coordinators meet as a group on a 6 monthly basis with representatives from Police, Internal Audit, Health and Safety, Business Continuity Planning, Corporate Planning and Insurance.</p>

## **Establishing External Communication and Reporting Mechanisms**

As also outlined in International Standard ISO 31000; 2009 Risk Management Principles and Guidelines, the organization should develop and implement a plan as to how it will communicate with external stakeholders. This should involve: Engaging appropriate external stakeholders and ensuring an effective exchange of information; External reporting to comply with legal, regulatory and governance requirements; Providing feedback and reporting on communication and consultation; Using communication to build confidence in the organization; and Communicating with stakeholders in the event of a crisis or contingency. These mechanisms should, where appropriate, include processes to consolidate risk information from a variety of sources, and may need to consider the sensitivity of the information.

## Key Risk Management Definitions

HRM has adopted internationally recognized definitions from CAN/CSA- ISO 31000-10, the internationally accepted risk management standard (International Standard ISO 31000; 2009 Risk Management Principles and Guidelines).

**Communication and Consultation:** Continual and iterative processes that an organization conducts to provide, share or obtain information and to engage in dialogue with stakeholders regarding the management of risk.

**Consequence:** Outcome of an event affecting objectives

**Controls:** Measure that is modifying risk. Measures taken to control the impact or likelihood of risks to an acceptable level.

**Control Owner:** The person that has accountability for a particular task to control an aspect of the risk, either the Cause or the Effect. The role is accountable to the Risk Owner.

**Corporate Risk:** Strategic or Operational risks reported to the Audit and Finance Committee for assurance purposes. One or more of the following criteria must apply: 1-The risk relates directly to one or more of the Priority Outcomes; 2-A risk that has significant impact on multiple operations if realized; 3- There are concerns over the adequacy of Business Unit arrangements for managing a specific risk. Corporate risks can also be those requested by the Audit and Finance Committee specifically.

**Effect:** Unplanned variations from objectives, either positive or negative, which would arise as a result of risks occurring. Effects are contingent events, unplanned potential future variations which will not occur unless risks happen.

**Establishing the Context:** Defining the external and internal parameters to be taken into account when managing risk, and setting the scope and risk criteria for the risk management policy;

**Event:** Occurrence or change of a particular set of circumstances.

**External Context:** External Environment in which the organization seeks to achieve its objectives.

**Gross Risk:** The assessed level of risk on the basis that no mitigating controls are in place.

**Internal Context:** Internal environment in which the organization seeks to achieve its objectives.

**Level of Risk:** Magnitude of a risk or combination of risks, expressed in terms of the combination of consequences and their likelihood.

**Likelihood:** Chance of something happening.

**Monitoring:** Continual checking, supervising, critically observing or determining the status in order to identify change from the performance level required or expected.

**Operational Risk:** Risks arising from or relating to the execution of day-to-day operations and service delivery.

**Residual Risk:** Risk remaining after risk treatment

**Review:** Activity undertaken to determine the suitability, adequacy and effectiveness of the subject matter to achieve established objectives.

**Risk:** Effect of uncertainty on business objectives.

**Risk Analysis:** Process to comprehend the nature of risk and to determine the level of risk.

**Risk Assessment:** Overall process of risk identification, risk analysis, and risk evaluation.

**Risk Attitude:** Organization's approach to assess and eventually pursue, retain, take or turn away from risk.

**Risk Criteria:** Terms of reference against which the significance of a risk is evaluated.

**Risk Evaluation:** Process of comparing the results of risk analysis with risk criteria to determine whether the risk and/or its magnitude is acceptable or tolerable.

**Risk Identification:** Process of finding, recognizing and describing risks.

**Risk Management:** Coordinated activities to direct and control an organization with regard to risk.

**Risk Management Framework:** Set of components that provide the foundations and organizational arrangements for designing, implementing, monitoring, reviewing and continually improving risk management throughout the organization.

**Risk Management Plan:** Scheme within the risk management framework specifying the approach, the management components and resources to be applied to the management of risk.

**Risk Management Policy:** Statement of the overall intentions and direction of an organization related to risk management

**Risk Management Process:** Systematic application of management policies, procedures and practices to the activities of communicating, consulting, establishing the context, and identifying, analyzing, evaluating, treating, monitoring and reviewing risk.

**Risk Owner:** Person or entity with the accountability and authority to manage a risk.

**Risk Profile:** Description of any set of risks.

**Risk Source:** Element which alone or in combination has the intrinsic potential to give rise to risk.

**Risk Treatment:** Process to modify risk.

**Risk Tolerance:** Or sometimes known as risk appetite is described as the level of risk HRM is willing to accept in relation to a threat that may cause loss or an opportunity in the day-to-day activities. The risk tolerance of an organization may be different for different events. HRM's risk tolerance and the alignment between its risk appetite and its objectives will form part of the overall HRM corporate strategy.

**Risk Register:** Official recording of the identified risks facing HRM. A catalogue of the full spectrum of risks (with impact and likelihood assessed) will form HRM's risk register.

**Stakeholder:** Person or organization that can affect, be affected by, or perceive themselves to be affected by a decision or activity.

**Strategic Risk:** Risks arising from or relating to long term Business Unit objectives.

## Appendix 1: Risk Scoring

**Table 1: Impact Criteria**

Level	Financial (loss or gain)	Environmental	Service Delivery	People	Culture/Heritage	Reputation	Legal & Compliance
<b>5 Extraordinary</b>	>\$15 mil	- Long term harm - Major opposition to the use of sustainable resource (energy, waste, water, etc.) which is sustainable long term.	-Critical service loss for more than one month -Sustained exceptionally high level of customer dissatisfaction with the quality of service they receive -Customers express utter disdain towards the city	-Multiple fatalities or in combination with severe injuries	-Irreparable damage to highly valued items of cultural significance	-Long term effect on brand and reputation -Widespread prolonged public or media attention (international or national coverage)	-Major litigation costing over \$15mil -Investigation by regulatory body resulting in interruption to operations -Possibility of custodial sentence
<b>4 Major</b>	\$5mil - \$15mil	-Significant medium term harm -No significant improvement in the use of sustainable resource	-Critical service loss for up to one month -Customer service levels are at such a poor standard that most customers are aware of them -Constant widespread negative customer	-Single fatality or irreversible disability or impairment to one or more people	-Significant damage to structures or items of cultural significance	-Significant media, public or Government attention - Embarrassment for Government Consistent and continued expression of views by key	-Major breach of regulation with punitive fine -Significant litigation involving many weeks of senior management time

			feedback on service levels			stakeholders	
<b>3 Moderate</b>	\$1mil - \$5mil	-Moderate short term harm -No noticeable effect on sustainability	-Critical service Inot available for several days -Many ongoing negative customer comments on the service levels	- Hospitalization required -Medium term, largely reversible disability to one or more people	-Permanant damage to items of cultural significance	-Attention from media or heightened investor and stakeholder interest -Absorbs management attention for weeks	-Breach of regulation with investigation or report to authority with prosecution or mederate fine
<b>2 minor</b>	\$10k - \$1mil	-Transient minor effects	-Local only service loss for a few hours -A few negative customer comments on the service they receive	-Reversible disability requiring hospital treatment	-Mostly repairable damage	-Minor local public or media attention -No perceivable impact on performance	-Minor legal issues, non-compliance and breaches of regulation
<b>1 Insignificant</b>	<\$10k	-Limited effect to something of low significance	-Negligible impact, brief loss of service -Very few negative comments by the customer on the service they receive	Minor medical treatment required	-Low-level repairable damage to commonplace structures	-Local interest only, dealt with internally	-Minor breach of regulation



**Table 2: Likelihood Criteria**

Likelihood	Description
<b>5-Almost Certain</b>	<ul style="list-style-type: none"> <li>• 99% chance of occurrence within the next year</li> <li>• Impact is occurring now</li> <li>• Could occur within 'days to weeks'</li> </ul>
<b>4-Likely</b>	<ul style="list-style-type: none"> <li>• Greater than 50% chance of occurrence within the next year</li> <li>• Balance of probability will occur</li> <li>• Could occur within 'weeks to months'</li> </ul>
<b>3-Possible</b>	<ul style="list-style-type: none"> <li>• Greater than 10% chance of occurrence within the next year</li> <li>• May occur shortly but a distinct probability it won't</li> <li>• Could occur within 'months to years'</li> </ul>
<b>2-Unlikely</b>	<ul style="list-style-type: none"> <li>• Greater than 1% chance of occurrence within the next year</li> <li>• May occur but not anticipated</li> <li>• Could occur in 'years to decades'</li> </ul>
<b>1-Rare</b>	<ul style="list-style-type: none"> <li>• Less than 1% chance of occurrence within the next year</li> <li>• Occurrence requires exceptional circumstances</li> <li>• Exceptionally unlikely, even in the long term future</li> <li>• Only occur as a '100 year event'</li> </ul>

**Table 3: Risk Priority Matrix**

Likelihood	Impact				
	1 Insignificant	2 Minor	3 Moderate	4 Major	5 Extraordinary
5 Almost Certain	Moderate	High	Very High	Very High	Very High
4 Likely	Moderate	High	High	Very High	Very High
3 Possible	Low	Moderate	High	High	Very High
2 Unlikely	Low	Low	Moderate	High	High
1 Rare	Low	Low	Moderate	Moderate	High

**DRAFT Strategic Risks Re-worked March 2015**

**ATTACHMENT B**

Previous Risk No.	Risk Short Name	Risk Statement
NEW (Draft)	Ability to Deliver	The risk that Halifax is not able to deliver (cost/clarity) on the stated community needs resulting in a loss in confidence and increased frustration with the Halifax public service.
NEW (Draft)	Mandate and Expectations	The risk that Halifax is unable to define expectations, mandate and scope of issues resulting in poor decisions and sub-optimum resource allocation.
SR3	Commuter Transportation Choices	The risk that Commuters do not choose transportation options that minimize the use of single occupant vehicles resulting in an escalation in traffic congestion, demand for road network expansion, and increased carbon emissions.
SR5	Pedestrian Safety Behavioural Changes	The risk that Pedestrians and motorists do not change their behaviours resulting in vehicle-pedestrian collisions continuing to occur at unacceptable rates.
SR9	ABCs - Service Delivery Accountability	The risk that HRM does not implement proper controls over the agencies, boards, and commissions to which it has delegated service delivery responsibilities resulting in exposure financially, politically, and potentially legally for deficiencies in service. (applicable to Recreation, Storm Water, Environment, etc.)
SR13	Strategic Alignment	The risk that HRM's political and administrative structure is not strategically aligned and lacks horizontal connection needed to integrated efforts resulting in failure to deliver on corporate initiatives and meet strategic outcomes.
SR17	Responsive Regulatory and Service Culture	The risk that HRM's regulatory environment and service delivery is not responsive to needs and expectations of the business community resulting in reduced ability to attract new and retain businesses in Halifax.
SR19	Supply of Lands for Economic Growth	The risk that there will not be sufficient land in the right locations available to support economic growth resulting in loss of economic opportunities.
SR22	Fiscal Plans Accuracy	The risk that HRM's long-term financial forecasts are not accurate resulting in the inability to deliver on plans based on those financials, causing increased pressures on the tax system and sustainable service delivery.
SR25	External Risk Management	The risk that HRM is unable to mitigate or respond effectively to external risks without a proactive external risk management practice resulting in a compromised, adhoc and reactive response to events.
SR27	"Right" Staffing ??	The risk that HRM does not have the right people in the right jobs at the right costs resulting in substandard service delivery, higher cost for services delivered, compromised decision-making, inappropriate controls, mistreatment of staff. Too high level, what are the actual risks to achieving the People Plan outcomes...demographics, workforce competition/availability, etc.