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Item No. 16.1
Audit and Finance Standing Committee
October 9, 2024

TO: Chair and Members of Audit and Finance Committee

FROM: Cathie O'Toole, Chief Administrative Officer

DATE: September 20, 2024

SUBJECT: Action Plan – Enterprise Risk Management

ORIGIN

Audit and Finance Committee of July 17, 2024. Moved by Deputy Mayor Deagle Gammon, seconded by Mayor Savage that the Audit and Finance Standing Committee request the Chief Administrative Officer develop an action plan to address the recommendations from the Management of Business Continuity Audit and Enterprise Risk Management Audit and report back to the Audit and Finance Standing Committee in three months.

EXECUTIVE SUMMARY

The Municipal Auditor General delivered recommendations on the status of HRM's Enterprise Risk Management processes. The report offered 14 recommendations, noted below, on improvements to current practices. Upon review, staff has prepared an action plan outlined below that addresses the concerns raised by the Auditor General.

Action	Deliverable
Develop and Implement Corporate Enterprise Risk Management (ERM) Policy	Draft will be completed for ELT/CAO review by September 30, 2024
Develop and Implement Strategic Risk Process	Draft will be completed for ELT/CAO review by October 31, 2024.
Develop and Implement Operational Risk Process	Draft will be completed for ELT/CAO review by March 31, 2025.
Performance Management	This action is integrated within the development process as such, deliverable date will vary with a final deliverable of March 31, 2025
Reporting Process	This action is integrated within the development process as such, deliverable date will vary with a final deliverable of March 31, 2025
Ongoing Periodic Program Review Process	Initial review to be completed will be completed by October 31, 2024. Cadence of future reviews will be outlined as part of process development
Guidance and Support on RM Practices	These tools and resources will be developed on an ongoing basis, an initial offering will be

	completed by March 31, 2025.
Risk Management Training Program	Overall training framework to be completed July 31, 2025, with targeted training being implemented by the end of Q3 2024.

AUDITOR GENERAL RECOMMENDATION

- 1) Risk and Insurance should implement relevant policies and processes focused on risk management oversight responsibilities to help ensure required tasks are performed by all relevant parties.
- 2) Risk and Insurance should ensure there is periodic review of the enterprise risk management program, and the result of the assessment is accurately reported to those charged with governance.
- 3) Risk and Insurance should ensure key roles and responsibilities are established, clearly defined, and communicated to all parties involved in the risk management process.
- 4) Risk and Insurance should review the current risk management framework, make relevant updates, and determine a schedule for periodic subsequent reviews.
- 5) Risk and Insurance should develop risk management policies and procedures to support the ERM Framework and provide guidance on risk management practices across HRM.
- 6) Risk and Insurance should ensure an appropriate risk identification process is incorporated in the risk management framework.
- 7) Risk and Insurance should work with all business units to ensure relevant, existing controls are documented and assessed for effectiveness.
- 8) Risk and Insurance should work with all business units to develop appropriate structured risk treatment plans and ensure risks remaining after treatment are periodically assessed and documented. Clear treatment approach should also be documented, and the risk register updated accordingly.
- 9) Risk and Insurance should ensure there is a documented process to measure enterprise risk management performance, including having specific monitoring and reporting plans for significant risks.
- 10) HRM should ensure there is a standardized and consistent operational risk management process to ensure risks are appropriately identified and managed.
- 11) HRM should ensure the risk management processes includes a requirement to monitor and report operational risks by all relevant parties.
- 12) HRM should ensure appropriate documentation and records are maintained for key operational risk management practices.
- 13) Risk and Insurance should develop appropriate training program for the organization.
- 14) Risk and Insurance should ensure risk management training is periodically offered to all HRM employees and elected officials. The training should be mandatory for all parties performing key risk management responsibilities.

RECOMMENDATION

It is recommended that the Audit & Finance Standing Committee recommend that Halifax Regional Council

1. approve the Action Plan contained within the discussion section of this report to update the Enterprise Risk Management process which includes Operational and Strategic risk frameworks to better identify, manage and mitigate the risks that may impact on the organization's ability to meet strategic objectives; and
2. direct the Chief Administrative Officer to implement the Action Plan.

BACKGROUND

Enterprise Risk Management was established at HRM in 2013 and was administered through Corporate Planning until the process was transferred to Risk and Insurance Services in July of 2021. Upon assuming responsibility Risk and Insurance Services noted improvement opportunities that would ensure that ERM would add value to the decisions made by Business Units in addressing risk within their operations. Shortly after receiving the program, the Auditor General initiated the audit. The recommendations from the Auditor General highlighted improvement opportunities that had also been noted by Risk and Insurance Services.

To meet the expectations of the Auditor General, and that of the Audit and Finance Committee, additional staff have been hired to ensure that the ERM process refresh occurs, and the development of the Operational Risk Management process be completed within the timeframe required by the Auditor General. While Operational Risk Management has been noted as part of the ERM Framework since its inception, it has not been implemented on a consistent basis across the organization. With additional staff resourcing and support, Risk and Insurance will have the capacity to ensure that both programs be developed and implemented within 18 months of this report.

DISCUSSION

The following is a detailed description of the various aspects of the Action Plan proposed by Risk and Insurance along with how each aspect of the plan addresses the concerns noted by the Auditor General's report.

Action Plan

ERM Framework (Policy and Processes)

1. Develop and Implement Corporate Enterprise Risk Management (ERM) Policy

The creation and implementation of an entity-wide ERM policy lays the foundation for establishing formal organization-wide risk management practices. The ERM Policy will serve to articulate the organization's risk management commitment. It will be developed as a Corporate Operational Policy using the practices outlined in the Halifax Regional Municipality Policy Package document. Once implemented, supporting processes will be developed (see Strategic Risk Process and Operational Risk Process) to carry out the policy's directives.

This addresses recommendations 1, 3, and 5 from the Auditor General's Report.

2. Develop and Implement Strategic Risk Process

A key component of Enterprise Risk Management is the management of strategic risks; the risks affecting the achievement of, or arising in the pursuit of, strategic goals and objectives.

Corporate Planning & Performance is currently undergoing activities to plan for the new Strategic Planning Cycle. The updated Strategic Risk Process will be developed through consultation with Corporate Planning & Performance to capture how risk management is embedded in the Strategic Planning Process and how Strategic Risks will be managed on an ongoing basis.

The Strategic Risk Process will provide a focus on oversight responsibilities for managing strategic risk with defined roles and responsibilities. The responsibilities for managing strategic risk will be communicated to those with an identified role.

This process will specify the scope, context and criteria; how strategic risks are identified, analyzed, and evaluated; how strategic risks are treated; how strategic risk information is recorded and reported; how strategic risk is monitored and reviewed; and outline communication and consultation.

The process will outline activities to support Risk Owners and Business Units in documenting and assessing implemented risk controls and risk treatment plans to ensure that relevant information is captured in Strategic Risk Registers.

This addresses recommendations 1, 3, 5, 6, 7, 8, and 9 from the Auditor General's Report.

3. Develop and Implement Operational Risk Process

Another key component of Enterprise Risk Management is the management of operational risks; the risks affecting the achievement of operational goals or arising from operations or during the delivery of services.

FTE has been approved to hire a resource to support the development, implementation, and ongoing operation of the Operational Risk Process. The Operational Risk Process will provide a focus on oversight responsibilities for managing operational risk with defined roles and responsibilities. The responsibilities for managing operational risk will be communicated to those with an identified role.

This process will specify the scope, context and criteria; how operational risks are identified, analyzed, and evaluated; how operational risks are treated; how operational risk information is recorded and reported; how operational risk is monitored and reviewed; and outline communication and consultation.

The process will outline activities to support Risk Owners and Business Units in documenting and assessing implemented risk controls and risk treatment plans to ensure that relevant information is captured in Operational Risk Registers.

This addresses recommendations 1, 3, 5, 6, 7, 8, 9, 10, 11, and 12 from the Auditor General's Report.

4. Performance Management

As the ERM policy and supporting are developed, goals and deliverables will be identified for each. Using these identified goals and deliverables, measurable indicators will be identified to monitor and report the programs performance.

This addresses recommendation 9 from the Auditor General's Report.

5. Reporting Process

Risk reporting will be redeveloped as part of the Corporate ERM Policy, Strategic Risk Process and Operational Risk Process. New risk reports will be developed to consider oversight and governance responsibilities. The reports will communicate information to enable those with oversight and governance roles to carry out their responsibilities.

This addresses recommendations 2, 9, and 11 from the Auditor General's Report.

Ongoing Periodic Program Review Process

A comprehensive review of the ERM program has begun and the development of the Corporate ERM Policy, and re-development of the Strategic Risk Process and Operational Risk Process will culminate in a major revision to the program.

Further review is being conducted on previously identified Strategic Risks through a 'Strawman' Exercise (for each Strategic Risk). This activity is intended to be a critical review of the information content currently collected in the Strategic Risk Management process. By engaging Risk Owners, Control Owners, and other identified stakeholders, it is expected that the individuals

within the organization possessing institutional knowledge relevant to the risk will have an opportunity to provide context about the risk and current treatment actions. This is expected to result in a more accurate description of the risk itself and HRM's treatment of the risk. A secondary benefit of the activity is to expose Risk Owners and Control Owners to a more fulsome activity to collect risk information to demonstrate critical assessment of risk statements, likelihood and impact criteria, current control activities, and risk treatment plans.

The supporting processes will be reviewed on an annual basis for minor revisions and updates. A full review including the ERM Policy, and its supporting processes will be conducted every 5 years, aligned to the Strategic Planning Process, which will ensure that the ERM program is aligned to the strategic direction of the Municipality.

This addresses recommendations 2 and 4 from the Auditor General's Report.

Training and Support

1. Guidance and Support on RM Practices

Tools and resources will be developed to provide guidance on risk management practices (such as risk identification, assessment, and treatment techniques) to those in the organization with a role in risk management. These resources will include self-service information, templates, and consultation options (such as workshops, interviews).

This addresses recommendations 5, 7, and 8 from the Auditor General's Report.

2. Risk Management Training Program

A comprehensive risk management training program will be developed for the organization. The training program will tailor information to those with risk management roles at all levels including mandatory training for those with key risk management responsibilities such as governance and oversight for Councillors and Executive Leadership, and management of strategic and operational risks for Risk Owners and Control Owners. General risk management training will also be developed and made available to all employees.

This addresses recommendations 3, 5, 13, and 14 from the Auditor General's Report.

FINANCIAL IMPLICATIONS

No financial implications at this time.

RISK CONSIDERATION

This report would align with the below Enterprise Risks noted in the risk register.

ER01	Mandate and Expectations	The risk that Halifax is unable to define expectations, mandate, and scope of issues resulting in poor decisions and sub-optimal resource allocation.
ER05	Strategic Alignment	The risk that HRM's political and administrative structure is not strategically aligned and lacks horizontal connection needed to integrate efforts resulting in the failure to deliver on corporate initiatives and meet strategic outcomes.

COMMUNITY ENGAGEMENT

No community engagement was required.

ENVIRONMENTAL IMPLICATIONS

No environmental implications were identified.

ALTERNATIVES

Audit and Finance Committee could choose not to proceed with the Action Plan.

Risk management has been a well-established process within HRM. However, the findings of the Auditor General have highlighted a lack of transparency that would allow decision makers to substantiate what risks have been identified and that appropriate mitigation strategies have been implemented. In adopting a business-as-usual approach there may be opportunities missed to address any new or emerging risks to meet strategic objectives that HRM faces. It is therefore, recommended that approval of the action plan be provided.

LEGISLATIVE AUTHORITY

Halifax Regional Municipality Charter, section 7A, and subsection 34(3), as follows:

7A The purposes of the Municipality are to

- (a) provide good government;
- (b) provide services, facilities and other things that, in the opinion of the Council, are necessary or desirable for all or part of the Municipality; and
- (c) develop and maintain safe and viable communities.

34 (3) The Council shall provide direction on the administration, plans, policies and programs of the Municipality to the Chief Administrative Officer.

Administrative Order One, the *Procedures of the Council Administrative Order*, Schedule 2, Terms of reference, Audit and Finance Standing Committee, clauses 1(2)(b), and 4 (d), and (e), as follows:

- 1. (2) The other purposes of the Committee are to
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 - (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 risk and implications, including: Environmental, Human Resources, Operational and the insurable risks and insurance coverage strategy of the Municipality; and

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