

Report to/Rapport au:

**OTTAWA PUBLIC LIBRARY BOARD  
CONSEIL D'ADMINISTRATION DE LA BIBLIOTHÈQUE PUBLIQUE D'OTTAWA**

**February 10, 2014  
Le 10 février 2014**

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Ref N°: OPLB-2014-0012

**SUBJECT: OPL Risk Management Framework**

**OBJET : Cadre de gestion du risque de la BPO**

**REPORT RECOMMENDATION**

**That the Ottawa Public Library Board adopt the City of Ottawa Enhanced Risk Management Framework for use as the OPL Risk Management process.**

**RECOMMANDATION DU RAPPORT**

**Que le C.A. de la Bibliothèque publique d'Ottawa adopte le cadre amélioré de gestion du risque de la Ville d'Ottawa comme processus de gestion de risque de la BPO.**

**BACKGROUND**

In November of 2012, the Board received Report 04 - Board Governance Review which identified nine key action items. Item seven on the list states "Develop, with Board input as appropriate, a comprehensive risk management process that identifies and monitors important enterprise risks and ensures appropriate mitigation and monitoring measures are in place, for Board review and approval."

In September 2001, City Council approved the City of Ottawa Enhanced Risk Management Policy (ERM). The purpose of the policy is to create a risk-aware corporate culture where the management of risks is integrated into the operations and administration of the City, ensure all City employees understand their responsibilities related to risk management and are aware of the process to identify risks, and what must occur once potential risks are identified. Key objectives of the policy are to:

- Embed risk management into the culture of the City
- Reduce events or conditions that create uncertainty
- Ensure that unplanned events are managed effectively
- Provide common and consistent risk management processes and practices

Further, all employees have a responsibility to report incidents, assess exposures, reduce, control and monitor risk in programs and operations. Employees also have a responsibility to bring emergent or newly identified potential risks to the attention of a supervisor/manager, and the supervisor/manager has a responsibility to mitigate the risk, or escalate to the next level of authority until the risk receives the appropriate level of visibility, action and control.

For managers, the effective management of risk is considered a core competency, and must be reviewed as a measure of job performance during the City's annual performance review cycle.

## DISCUSSION

The Ottawa Public Library has a history of risk awareness and mitigation activities evidenced through day to day management activities. Threat risk analyses, a safety plan and facility upgrades are examples of risk mitigation measures. However, the adoption of a risk management framework will result in a more proactive approach to risk and resulting mitigation strategies. Additionally, the adoption of a risk management framework will ensure that due diligence is consistently implemented via a structured process throughout the OPL.

In reviewing the recommendations of the Board governance review, the City's ERM satisfies all stated requirements. The Ottawa Public Library has the opportunity to capitalize on an existing proven procedure and leverage knowledgeable resources

through the shared services agreement with City of Ottawa Corporate Programs and Business Services, Corporate Business Services Department (CBS). The attached slide deck summarizes the framework and illustrates the value to OPL in adopting this framework and subsequent operational procedures. It should be noted that the adoption of the risk management framework does not preclude the CEO from bringing forward or identifying risks, as required, to the Board.

#### CONSULTATION

There were no public consultations for this report. Personnel within CBS were consulted with respect to timing and reporting requirements of the ERM policy.

#### LEGAL IMPLICATIONS

There are no legal implications associated with this report.

#### RISK MANAGEMENT IMPLICATIONS

The adoption of an official risk management policy for the Ottawa Public Library is of paramount importance as per the Board Governance Report. The risk in not adopting a comprehensive framework may expose the organization to risks of a greater degree than anticipated.

#### ACCESSIBILITY IMPACTS

There are no accessibility implications associated with this report.

#### TECHNOLOGY IMPACTS

There are no technology impacts associated with this report.

#### FINANCIAL IMPLICATIONS

There are no financial implications associated with this report. Services rendered by CBS to OPL in the administration of the ERM are provided under the shared services agreement between the OPL and CBS.

#### BOARD PRIORITIES

The report responds to Board strategic priority E. EXCELLENCE in Governance, Accountability and Financial Sustainability.

## SUPPORTING DOCUMENTATION

### Reference Documents

[Report 04 - Board Governance Review, November 2012](#)

### Attachments

Draft 2014 OPL Enhanced Risk Management Framework Board.pptx

City of Ottawa – Enhanced Risk Management Framework

## DISPOSITION

With approval of the framework by the Board, risk matters and mitigating strategies will be reviewed and approved by the CEO within the context of the Delegation of Authority Policy. Risk issues will be raised with the Board as required. Next steps include release of the OPL policy on ERM to staff. Identification of risk and subsequent assessment, mitigation, monitoring and tracking will commence in February 2014 with all reports approved by the CEO – Ottawa Public Library and following the City of Ottawa's ERM procedures and reporting structure.

# Draft OPL Risk Management Framework

Report to the Board

February 10, 2014

Submitted: Matthew Pritz, Manager – Business Services



# Requirements

- Board Governance Review
  - “Develop, with Board input as appropriate, a comprehensive risk management process that identifies and monitors important enterprise risks and ensures appropriate mitigation and monitoring measures are in place, for Board review and approval.”

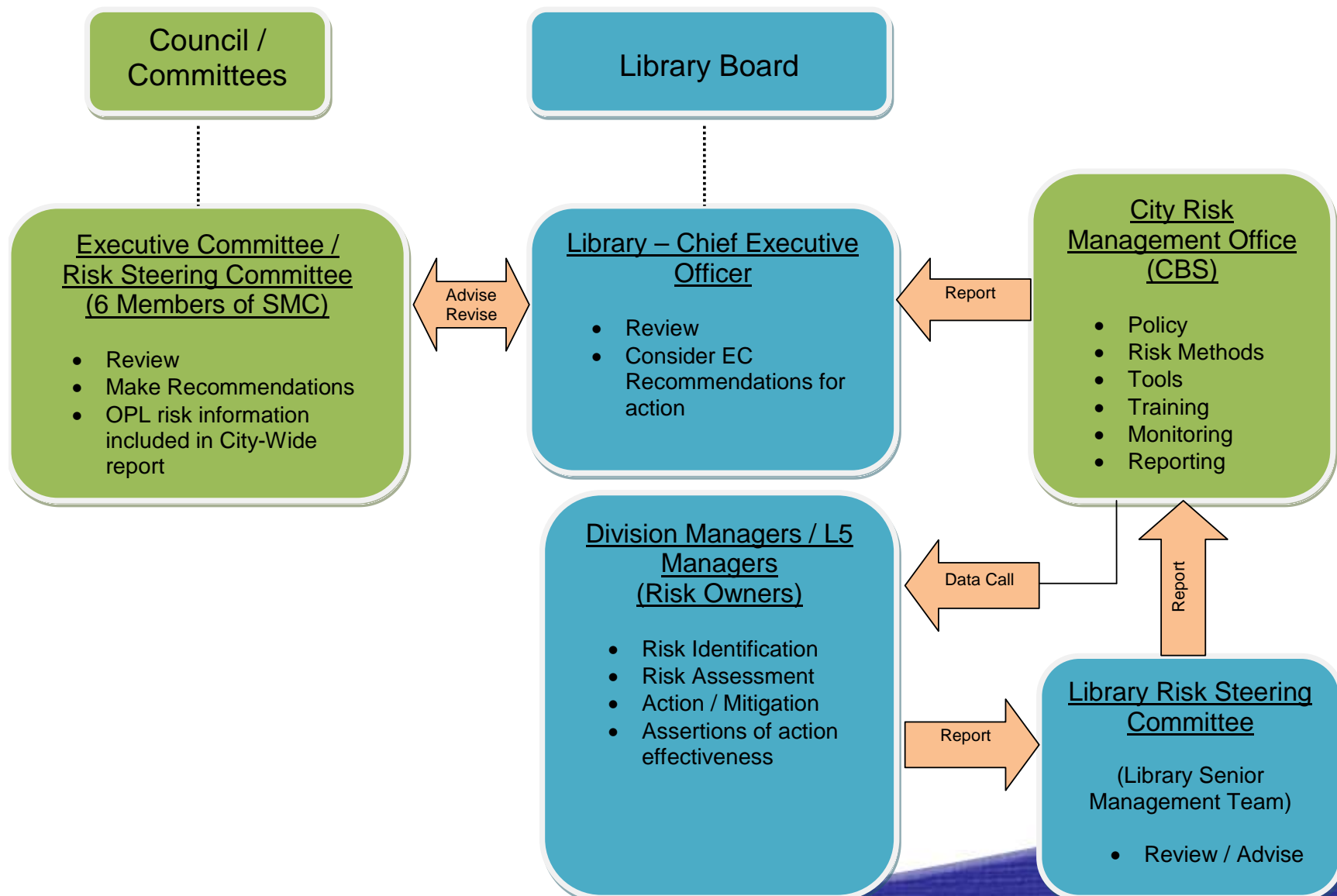


# Delegated Authority

- OPL Chief Executive Officer
  - Is delegated the authority to oversee the management and implementation of ERM.
  - **Board Delegation of Authority Policy, July 2013**  
**Approved by Board**
    - **Policies and Plans**
    - 18. Implement and manage the strategic frameworks for key services, advocacy and fundraising.



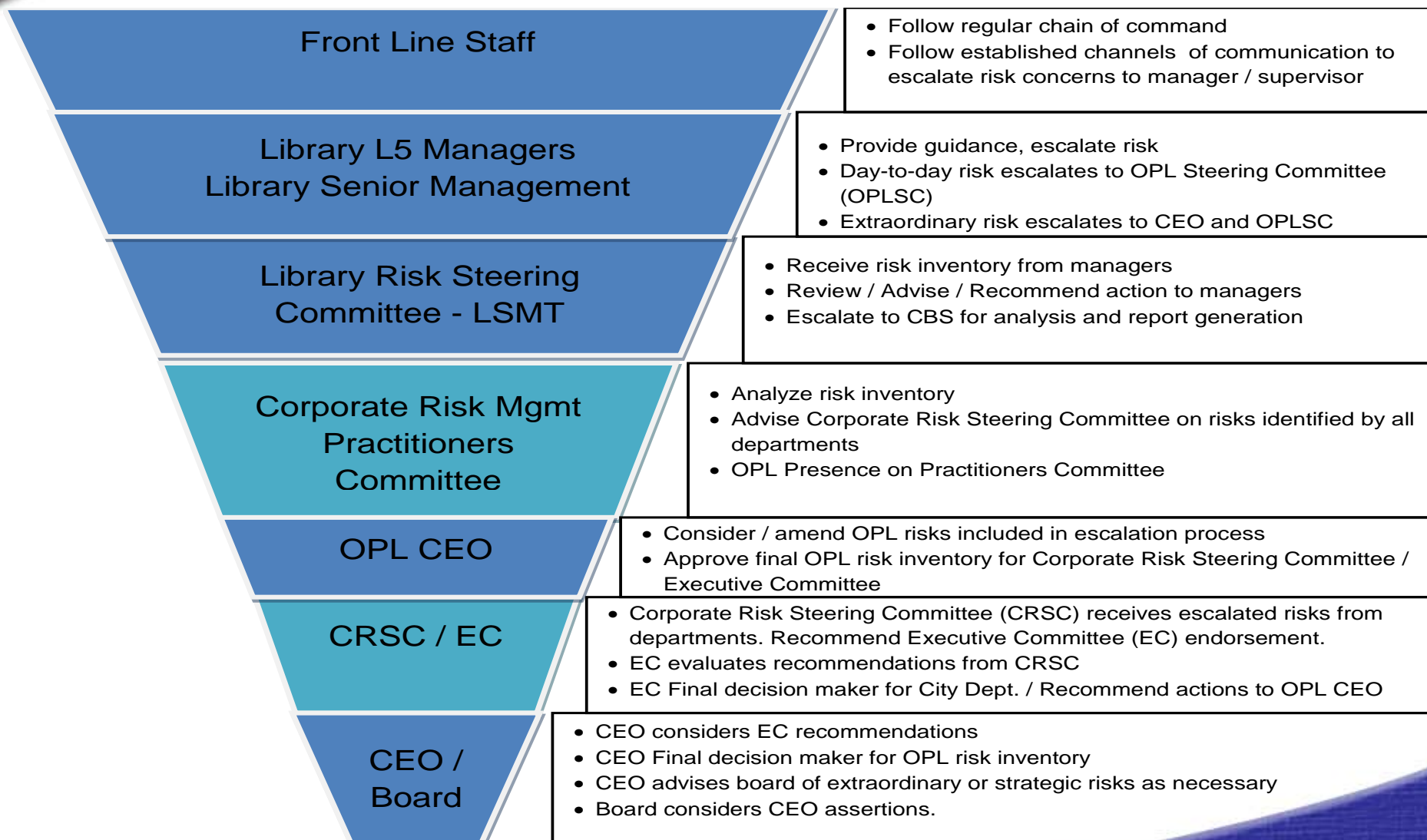
# Process – OPL integration







# ERM Escalation (OPL)





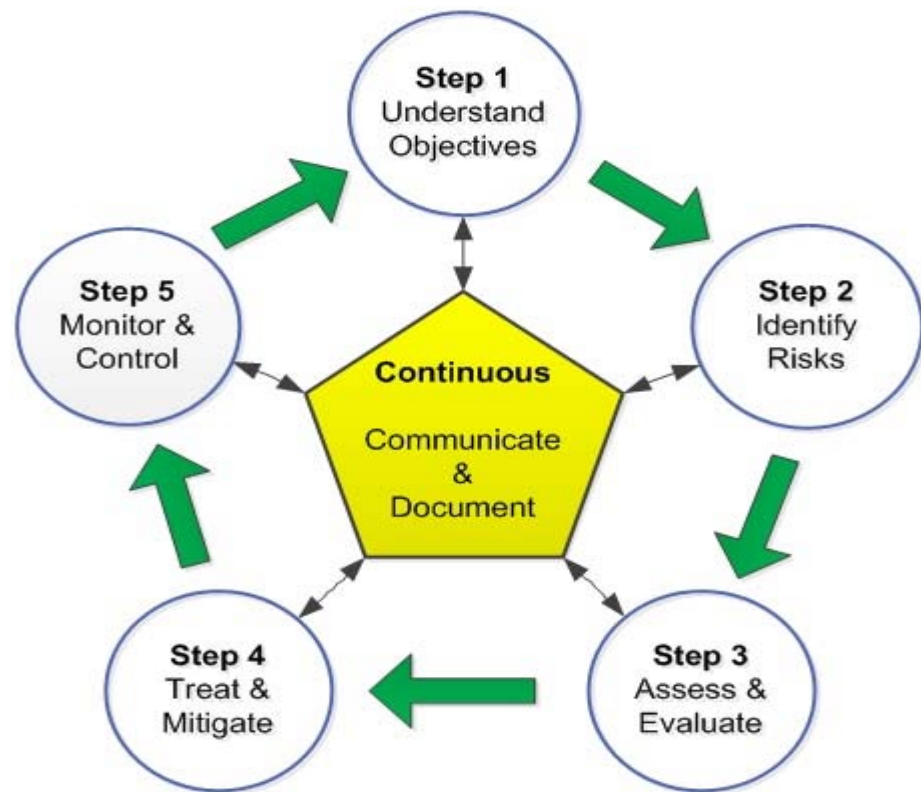
# Benefits

- Established and proven process based on best practices
- Training process has been developed. OPL management have completed required training.
- Economical, no additional cost for development or operational function
- Data collection and analysis provided through shared services
- OPL currently represented on the Corporate Risk Practitioners Committee.



# Benefits

- OPL maintains autonomy of authority
- Enhanced process is comprehensive
  - Strategic
  - Corporate
  - Operational
  - Major Projects
  - 5 Step process





# 2014 Process Calendar

The tables below summarize the overall reporting process and timelines for the upcoming Corporate Risk Profile refresh cycle.

## Data Call

January 31

## Department Data Preparation & Submission

February 11  
to  
April 30,  
2014

Check in  
date: April 18,  
2014

## Data Refinement

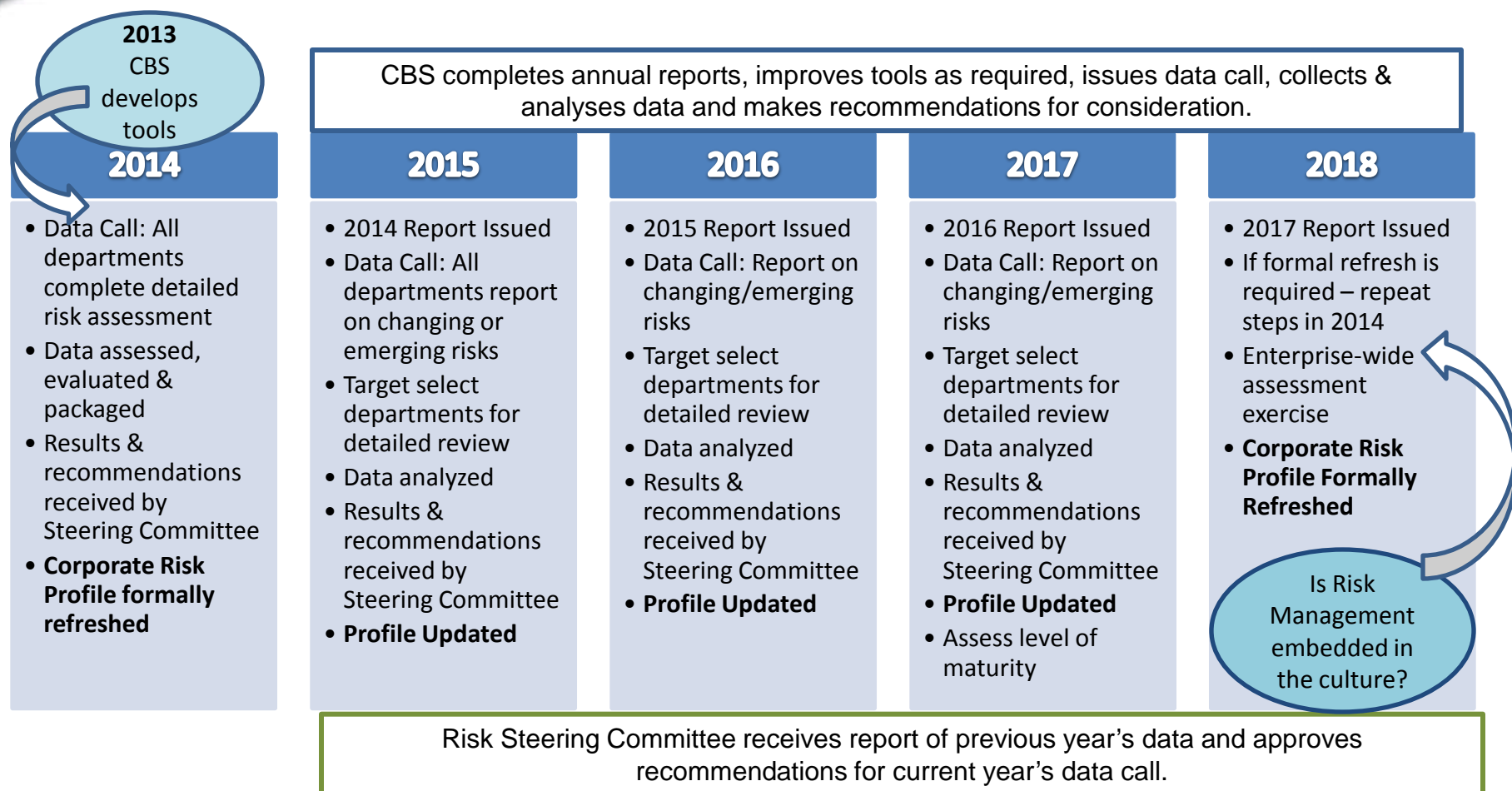
May – August  
2014

## CBS/Task Force Analysis, Validation & Reporting

May –  
December  
2014



# Risk Profile Cycle





# Recommendation

- **That the Ottawa Public Library Board adopt the City of Ottawa Enhanced Risk Management Framework for use as the OPL Risk Management process.**



# Enhanced Risk Management (ERM) Framework

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## Framework

*Corporate Business Services*  
**Corporate Programs & Business Services**  
**09/25/2011**

The framework is the overarching structure under which reside the basic components that comprise ERM. It provides a consistent, systematic approach to manage risks across the City.

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## 1. BACKGROUND

It has been recognized that the City of Ottawa would benefit from an enhanced risk management program. A simple definition of risk is ‘anything that gets in the way of meeting your objectives’. There is upside and downside risk. Upside are opportunities –i.e. putting a quarter in a slot machine and winning. Downside is, unfortunately, how risk is usually viewed –i.e. a negative outcome. In the example of putting a quarter in a slot machine, downside risk would see you losing your money. It is important not to lose sight of upside risk.

In 2005, the Auditor-General recommended that the City introduce integrated risk management (IRM) and develop an IRM policy, tools, approaches and training.

On May 9, 2007 Council approved an approach to implement the Auditor General’s recommendations (ACS2007-CMR-OCM-0002). The expected outcome was the development of a new corporate IRM policy and to train management staff involved in the evaluation of risk as part of the business planning process for each department.

In March, 2008, City Council directed that Phase 1 of an Enhanced Risk Management (ERM) project be commenced with a goal to embed risk-conscious thinking into the City’s operations and culture (ACS2008-CMR-CSE-0026). At that time, Council directed City staff to:

- Develop a conceptual ERM framework,
- Prepare tools and training to support the ERM framework,
- Provide training to support the ERM framework and culture change,
- Undertake Risk Reviews of two key clients, and
- Establish a Risk Management Committee to monitor ERM progress.

In 2009, an external study of the City’s (financial) entity level controls identified ERM as an important area of focus for the City.

In April, 2010, Council approved a conceptual Enhanced Risk Management framework and a revised Enhanced Risk Management Policy (ACS2010-COS-ODP-0004). Council also agreed on the next steps to successfully implement the ERM framework and policy. Since then, the following activities have been initiated:

- Development of Corporate Risk Profile <sup>1</sup>,
- Communication plan including a risk escalation procedure,
- Development of a training program,
- Delivery of training to managers and supervisors,
- Accountability of risk behaviours built into management performance appraisals. This activity will be worked on in conjunction with Human Resources, and
- Establishment of monitoring and reporting based on the Risk Profile. This will be built into the City’s Strategic Planning framework.

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<sup>1</sup> The Corporate Risk Profile is a prioritized list of risks facing the City. The purpose of the Profile is to enable risk-based corporate decision making.

## 2. INTRODUCTION

### 2.1. ENHANCED RISK MANAGEMENT VS. RISK MANAGEMENT

ERM is intended to cover risk management in the broadest possible terms, encompassing all forms of risk management activity across the entire City. It is aimed at enterprise-wide *practices* that will enable the corporation to manage risk. The definition adopted in the City's Enhanced Risk Management policy reads:

*Enhanced Corporate Risk Management (ERM) provides a continuous, proactive, systematic and consistent approach to understand, manage and communicate risks from an organization-wide perspective.*

Risk Management, in the traditional sense, relates to the **process**, and is defined in the City's ERM Glossary as follows:

*Risk Management is the systematic process of identifying, analyzing and responding to risk. 'Risk Management' includes the avoidance and/or mitigation of hazards, the management of uncertainty and the harnessing of opportunities. The traditional 5 steps of risk management are: 1) identify, 2) assess, 3) evaluate, 4) mitigate and 5) monitor. Risk Management is a general term referring to the overall process of addressing risk with a goal to realize potential opportunities while managing adverse effects.*

The ERM framework, with its common tools presents a reliable, systematic approach to Enhanced Risk Management. The framework enables management to collaboratively identify, assess and manage future risks and opportunities, individually and across the organization. The framework provides the foundations and organizational arrangements that will embed it throughout the organization at all levels.

When implemented and maintained in accordance with the *International Organization for Standardization* (ISO)'s 31000 standard, entitled Risk Management, ERM enables an organization to:

- Encourage proactive rather than reactive management,
- Recognize the need to identify and treat risk throughout the corporation,
- Improve identification of opportunities and threats,
- Comply with relevant legal and regulatory requirements,
- Improve financial reporting, corporate governance, controls, operational effectiveness and efficiency and stakeholder confidence and trust,
- Establish a reliable basis for decision making and planning,
- Effectively allocate and use resources for risk treatment,
- Improve operational effectiveness and efficiency, and
- Minimize loss.

In order to attain the highest probability of success in implementing ERM, the following is required:

- Top-level senior management support, commitment and participation,
- Adequate breadth and depth for participation within the organization,

- Development and communication of a risk management policy,
- Establish accountability and authority at all staff levels,
- Identification and provision of resources,
- Development of risk management plans at the various organizational levels,
- Development of a process to monitor and review, and
- Commit to an understanding that ERM is a continuous process, not a one-time event.

### 3. PURPOSE

The City is committed to the application of an ERM process, which includes a systematic approach to the anticipation and identification of loss exposures, the assessment of those exposures, in terms of likelihood and impact, and the application of risk mitigation measures.

The Corporate Risk Management policy re-iterates that the City of Ottawa is committed to develop, implement and practice ERM to ensure risks that impact the City's strategies and objectives are managed. The purpose of the policy is to create a risk-aware corporate culture where the management of risks is integrated into the operations and administration of the City.

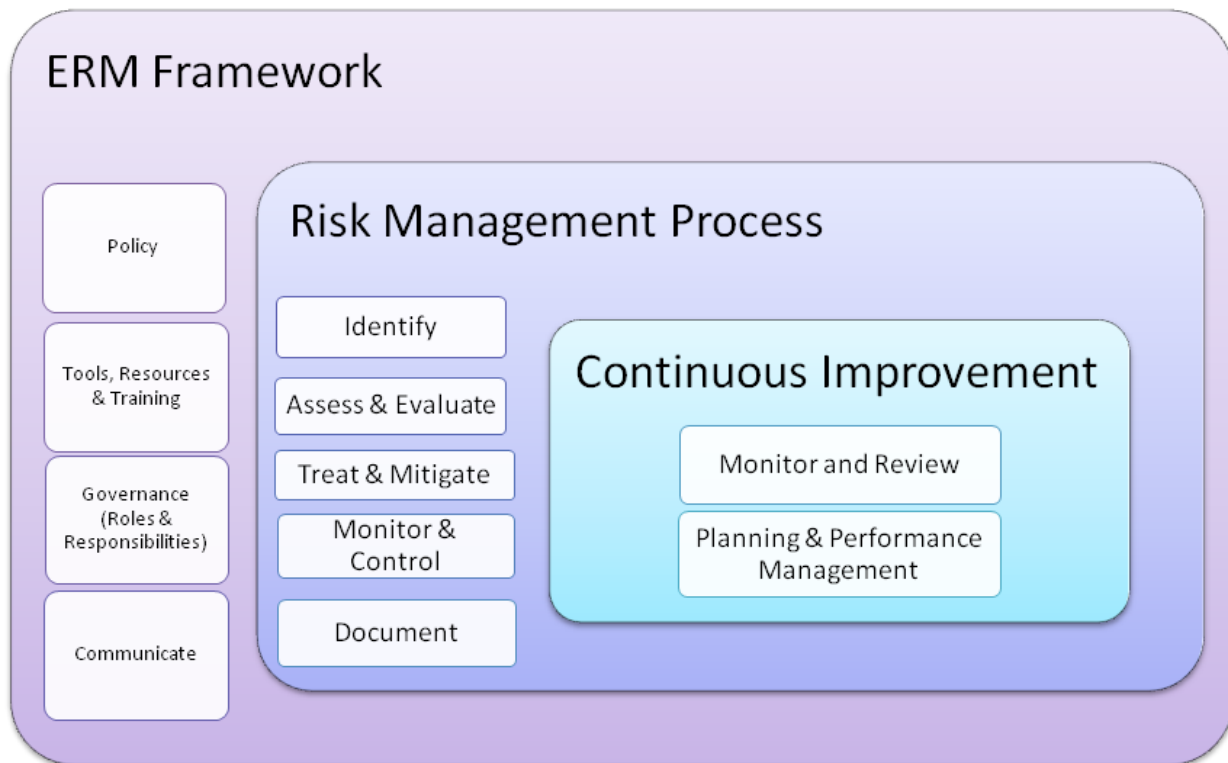
This document identifies the approach and tools the City will use to identify, evaluate, treat, monitor and report risk. The approach is consistent with ISO 31000 methodology.

### 4. OBJECTIVE

The objectives of the ERM Framework are to embed risk management into the culture of the organization, to reduce events or conditions that create uncertainty and to ensure that unplanned events are managed effectively. Specifically:

- Through a defined process and associated tools:
  - Identify, analyze, evaluate, categorize and prioritize risks,
  - Accept or mitigate risks,
  - Monitor and review risk activity,
  - Document and report on risk activity,
- Communicate risks and mitigation strategies to Council, Committee, senior management and internally
- Use Performance Measures to gauge the effectiveness of the framework, the process and the reduction of risk at both strategic and operational levels
- Periodically review the framework for continuous improvement opportunities that will enhance and/or strengthen the process.

The City's **ERM framework** for managing risk is depicted in the following diagram:

**Figure 1: ERM Framework**

## **5. GOVERNANCE (ROLES & RESPONSIBILITIES)**

The management of risk is a shared responsibility at all City levels. All employees are expected to demonstrate risk-aware thinking and accountability and communicate significant risks to their managers. The design of a robust architecture for enhanced risk management begins with a clearly understood governance model describing ERM related responsibilities and accountabilities.

### **5.1. CITY COUNCIL**

Approves, oversees and promotes the ERM initiative.

### **5.2. CITY MANAGER**

Ensures compliance with the ERM Policy and overall risk management throughout the City.

### **5.3. EXECUTIVE COMMITTEE (EC)**

Retains overall accountability for ERM, sets the City's risk tolerance and approves the ERM framework.

### **5.4. SENIOR MANAGEMENT COMMITTEE (SMC)**

Oversees the implementation of an appropriate ERM program. Managers support the City's ERM philosophy, promote compliance and manage risks within their spheres of responsibility, consistent with the City's risk appetite.

### 5.5. CORPORATE RISK MANAGEMENT COMMITTEE

Has the mandate to advise, guide and monitor the development and implementation of the Enhanced Risk Management (ERM) organizational framework and matters of risk management that impact the City's strategies and objectives. Comprised of representatives from all departments, their mission is to create a risk-aware corporate (City-wide) culture.

### 5.6. DEPARTMENT MANAGERS

Own, and are therefore accountable for the effective management of risk within their department. They are responsible for the application of risk-aware thinking in day-to-day activities.

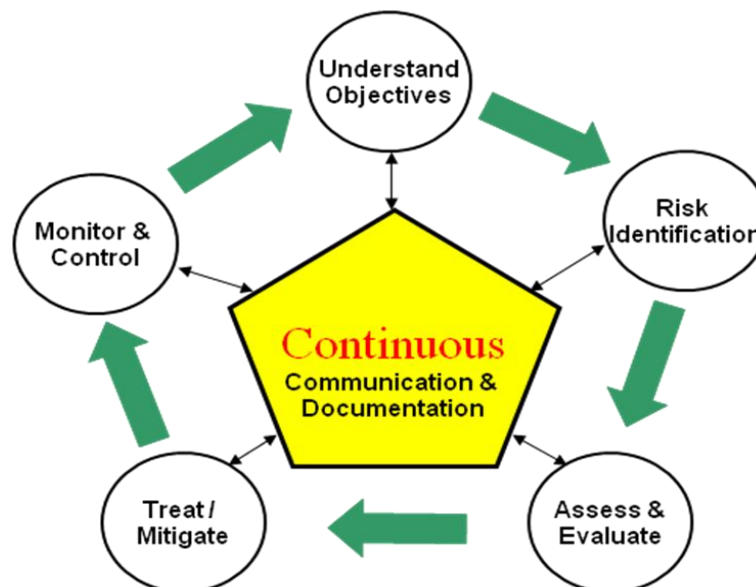
### 5.7. CORPORATE RISK MANAGEMENT

The responsibility for Corporate Risk Management resides within the Corporate Business Services Branch of the Corporate Programs & Business Services Department, which is part of the City Manager's Office. They provide guidance for the advancement and support of ERM throughout the City. The Branch develops, implements and maintains the framework for the management of risk. It develops and executes ERM initiatives and ensures the integration of ERM with strategic management and decision processes.

## 6. RISK MANAGEMENT PROCESS

An ERM module has been developed to provide the tools for completing a risk assessment on a specific service, project, activity or event. By conducting a risk assessment, the extent to which potential events have an impact on the achievement of objectives can be identified, analyzed, evaluated/prioritized, mitigated and monitored.

The following is a high-level overview of the **risk management process**:



## 6.1. UNDERSTAND OBJECTIVES & GOALS

Whether the assessment of risk is against the Corporate Strategic Plan, a Departmental Work Plan or a Project, the objectives or goals must be clear, before an assessment of the potential risks can be complete. The risk assessment should consider all potential threats and opportunities that could affect the successful achievement of the objective(s), deliverable or goal.

### 6.1.1. DETERMINE TOLERANCE & THRESHOLDS LEVELS

Among the most critical challenges for management is determining how much risk the entity is prepared to accept. When evaluating strategic alternatives, setting related objectives and developing mechanisms to manage related risks, City branches rely on the alignment of risk tolerance and strategy. To achieve alignment, risk tolerance must be fully articulated and applied on the front lines.

Risk tolerance is defined as *“The broad amount of risk acceptable to Council and senior management while pursuing the City’s mission and vision”*. For example, the City may have a goal to achieve an average customer satisfaction rating of 75%. However, operationally, it is prepared to accept ratings in the range of 70% to 80% (its limits of risk tolerance).

Articulating threshold limits sets the parameters for risk-informed decision-making. People must know what the criteria are *before* embarking on the process of assessing and weighing decision alternatives. There must be alignment between corporate risk tolerance and risk-taking in practice.

The Risk Impact Measurement Chart, which can be found in References, provides a range of minimal to extreme categories of risk under the headings financial, operational and public. The chart has been approved by SMC and EC. Its goal is to articulate and communicate how the City’s management views risk.

## 6.2. IDENTIFY RISKS

Through brainstorming sessions, lessons learned, and knowledgeable sources (i.e. subject matter experts) risks are identified. The objective is to increase the likelihood and impact of upside (positive) risks and decrease the likelihood and impact of downside (negative) events. The key is to bring together a group of people who can offer different perspectives based on their expertise. This diverse group can then develop a list of events that could impact the objective(s) from being met.

## 6.3. ASSESS AND EVALUATE RISKS

Once a list of potential risk events has been established, complete an environmental scan that considers the impact and likelihood of each risk, applies the outcome to a chart, determines high-medium-low risk, calculates a risk score and ranks or prioritizes in order of highest risk scores.

- i. High risks require a strategy.
- ii. Medium risks must be contemplated and carefully considered to determine whether mitigation should be undertaken.

- iii. Low impact and low likelihood risks are usually accepted with no strategy necessary.

#### 6.4. TREAT AND MITIGATE RISKS

Once the risks have been identified and assessed, a response or strategy on the best way to deal with each risk needs to be determined.

- Can the risk be mitigated? What steps can be taken to prevent or lessen/reduce the impact or likelihood?
- Can all or part of the risk be transferred? (i.e. to a third party, insurance, contractor)
- Can the risk be avoided? Consider whether unacceptable risk can be eliminated in its entirety.
- Should the risk be accepted? Accepting the risk is a viable strategy if done consciously after full consideration of all options. For example, the cost of mitigating the risk may well exceed the benefit. In such cases, it makes sense to accept the risk.

Once the strategy is decided, the owner takes responsibility for follow-through. If the strategy is to mitigate the risk, then the owner is responsible for monitoring the plan for effectiveness (i.e. have the steps taken actually prevented/reduced the risk?) A mitigation plan is a series of activities or actions that if completed successfully should lessen the impact or likelihood of the risk.

#### Sample

##### Example of a mitigation plan:

Risk: Inability to hire and maintain transportation planning staff leads to a skills shortage, impacting our ability to provide the programs and services the City is committed to.

##### Multi-Pronged Mitigation Plan:

- Prioritize targeted recruitment outreach strategies
- Implement new e-recruitment solution
- Implement an Engineer Internship Program
- Expand the Co-Op and Internship Programs
- Develop a Corporate Career Path Framework

#### 6.5. MONITOR AND CONTROL RISKS

This is simply the requirement to routinely review each risk item and the steps taken to mitigate that particular risk. Monitoring will ensure new risks are identified, or risks that have moved from medium to high become apparent in time to adequately address them.

Consider the following questions:

- Have the steps taken removed this item from being a risk entirely? (i.e. there is no chance of it occurring)
- Have the actions taken changed the impact of this risk should it occur? (i.e. it may still occur but the consequence will be different than originally thought)
- Does the change lessen or increase the impact of the risk? If its impact has increased – something significant changed – the risk should be readdressed and the mitigation plan reviewed.
- If the impact is lessened – is the factor for impact and/or likelihood lower? It is enough to move the risk to a lower quadrant of the heat map. (i.e. perhaps it has gone from a High Likelihood/High Impact to a Medium Likelihood/Low Impact)
- Are there new or emerging risks that should be considered?
- Have the risks, their mitigation plans, and the reviews been documented appropriately to ensure there is sufficient information available to confirm compliance, to measure performance and to provide the basis for sound decision making.

Focus on the higher likelihood/higher impact risks. However, remember to review all risks. Some that were originally thought to be lower on the scale may now be higher and require mitigation plans.

## 6.6. COMMUNICATE & DOCUMENT RISKS

It is important to document your risk management assessments, findings and results. By documenting, there is demonstration that a defined process has been followed, risks have been mitigated, results measured and reported. Such documentation is valuable input to the re-evaluation exercise of the ERM process (See Continuous Improvement-Section 10). Later phases can adjust to improve activities and potentially gain better results.

Documentation also provides an important starting point for corporate planning activities and preparing the Corporate Risk Profile (see Planning and Performance-Section 9).

If there is a requirement to communicate your project/initiative to a Committee or to Council, there are specific requirements for documenting risk implications (see Documenting Risk Implications – Section 8).

## 7. RESOURCES AND TOOLS

ERM is a value to be incorporated into the decision-making processes. *It is not a distinct product*, but rather it seeks to enhance judgment and decision-making throughout the City. Risk-conscious thinking should be exercised by everyone from those in the field to the City Manager. All individuals must “own” the risks their actions encounter, and this ownership will not be supplanted by the implementation of ERM. Below are some of the resources and tools available to assist in the risk management process. These, and others discussed throughout this document, are listed at the end of this document (see References -Section 11). They are also available on Ozone.



## **7.1. DEFINITIONS**

The ERM Glossary of Terms has been developed and provides a listing of the common terminology, phrases and acronyms typically associated with risk management. This glossary is available on Ozone.

## **7.2. CORPORATE RISK MANAGEMENT**

The Corporate Business Services Branch of Corporate Programs & Business Services is responsible for Corporate Risk Management. They are available to assist with the evaluation of risk issues and will work in concert with the Corporate Risk Management Committee and other responsible parties to deal with risk.

Corporate Risk Management will support City staff in:

- Raising awareness of the ERM concept,
- Developing, implementing and maintaining enterprise-wide practices,
- Explaining how ERM can benefit the leaderships' efforts with a more thoughtful assessment of risk before decisions are implemented,
- Providing risk advice and assistance.
- Incorporating ERM into City processes formally or informally,
- Developing ERM training,
- Developing and maintaining the Corporate Risk Profile, and
- Introducing and providing tools associated with risk identification and analysis.
- Risk communication and documentation.

## **7.3. INTERNAL AUDIT**

ERM can also open the door for a strengthened working partnership between the Corporate Risk Management function and the Internal Audit function, since Internal Audit has the responsibility to report that appropriate management controls are in place. ERM provides another way for the Audit function to determine that due diligence is done throughout the City.

## **7.4. HOW TO DO A RISK ASSESSMENT**

The City's Risk Management Module: How to do a Risk Assessment is a PowerPoint presentation that has been prepared to explain the risk identification and assessment process. The presentation addresses context setting, determining risk impact, establishing likelihood, reaching a risk score, prioritizing and, finally, establishing a plan to mitigate or prevent the risk from occurring.

The end product is a summary chart that captures the outcomes of the exercise and documents the mitigation strategy for each risk. These outcomes should be incorporated into the departmental Service Excellence Plans which can be used to create the Corporate Risk Profile.

## 7.5. DETERMINING RISK CATEGORIES

A chart identifying the various Risk Categories (both internal and external) has been created to assist individuals contemplating risk. It also provides guidance as to the various areas of potential risk found within an organization at both the operational and strategic levels.

**Example:** An external Legislative Risk changes the legislation that governs the City's delivery of a particular service – i.e. long term care.

**Example:** An internal risk could be changes to a collective agreement that affects internal processes – i.e. bus route changes requiring longer rest periods.

## 7.6. IMPACT MEASUREMENT

Through determination of risk categories and tolerance levels, risks are assigned variables to rank and prioritize them. Measurement tools are used to identify whether a risk item is considered Low and Acceptable to Very High and Unacceptable to the department and/or organization. A variety of tools such as impact and likelihood charts, score charts and surveys are available to assist in the assessment of the risks and documenting the results.

**Example:** What is the likelihood of a particular piece of legislation related to Occupational Health and Safety changing within the next two years, and if it does change, what is the impact to the City with regard to protecting its employees? (e.g. High likelihood of the change coming, but impact to business will be Low (the change will require some revision to policy and some training for managers).

The cumulative or aggregated effect of a common risk ACROSS the organization could elevate the importance of the risk because it is really bigger than as seen in a single department. A determination may be made to address it corporately, even though at a departmental level, it may be considered a lower risk item.

## 7.7. RISK MAP

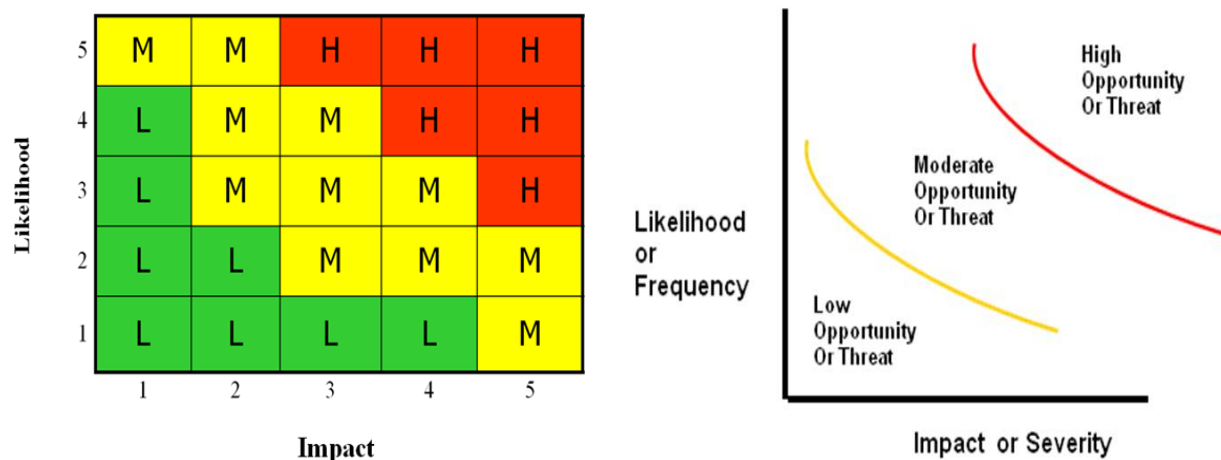
A risk map provides a useful, easy to create visual tool for assessing the relative rank of the risks identified. Sometimes called a *Heat Map* or a *Risk Management Effectiveness Map*), this map graphically compares the magnitude of each risk with the measure of how effectively it is managed. Effectiveness is based on an assessment of the current strategies and actual practices for that particular risk.

Under-managed risks appear in the top-right corner of the graph, which are those risks with large risk magnitude and low mitigation effectiveness. Items that are in this category can indicate a large exposure to risk.

Well or over-managed risks appear in the bottom-left corner of the graph, those risks with small impact and with high mitigation effectiveness.

Understanding how/if risks are being effectively managed allows management to determine if the appropriate type and/or number of resources are in place to successfully mitigate the risk.

The following two diagrams provide visual descriptions of the Risk Map tool. Instruction on their use can be found on Ozone.



## 8. DOCUMENTING RISK IMPLICATIONS

The template for a Report to Committee and Council has been revised to include a section for Risk Implications. Staff preparing a report are required to consider and address risk within the context of the report. If a risk has been identified, it should be well communicated. The report writer should provide the general information, required details, rationale and associated impacts related to each risk. By providing thorough communication on risks, Committee/Council members can expect to be fully informed and able to rely on these reports to make sound decisions.

In order to produce a well-explained risk position, the report writer should consider the following questions when documenting the risk implications:

- Has the risk been accurately explained including how likely it is to materialize and what impact it would have on the City?
- What steps have been taken or need to be taken to effectively mitigate risk?
- If a time line changes the risk, has this been identified?
- Has the risk been linked to anticipated impact on priorities and objectives?
- Is sufficient attention being devoted to monitor risk? How?

The Risk Management Implications section of the report should include one of the following statements

- *There are no risk implications; or*
- *There are risk implications. These risks have been identified and explained in the report and are being managed by the appropriate staff.*

Corporate Risk Management (see Section 5.7) can be called upon to provide assistance to the writer on potential risk implications, if necessary, in the early stages of the report's development.

## **9. PLANNING & PERFORMANCE MANAGEMENT**

ERM strives to ensure that risk management is embedded throughout the planning processes. Performance measures will be used to gauge progress towards identifying and successfully mitigating potential risk items.

Executive management's role is to align and communicate organizational objectives with risk-taking objectives. They mandate the measurement and reporting of risks as to their impact on deviations from plans. Management also assigns risk owners and makes departments responsible for both the performance of their business and the management of the risks they take.

Each department will be required to identify their top three to five risks, at a minimum, every other year. These will be rolled into a comprehensive Corporate Risk Inventory. The Corporate Risk Inventory is a compilation of the risks identified across the organization. The risks will then be themed and assessed to determine the City's Risk Profile, which identifies a prioritized list of risks the organization sees as the most critical, and which requires focused attention to address. The aggregated results will be integrated into the decision-making process by way of the next Strategic Plan process, which will utilize this information.

Part of performance management is the acceptance that risk awareness and risk management is part of our (individual, manager, corporate) responsibility and accountability. Commonly cited key drivers of performance include:

- ERM information integrated with planning activities
- Communication of goals and measures
- ERM process goals and objectives

## **10. CONTINUOUS IMPROVEMENT**

Monitoring is a very important element of a compliance program and feedback gained must then be used to update and improve the process. For the ERM process to be successful and accepted by those required to use it, it is important to keep the requirements simple but solid. One way to accomplish this is to review the process and the results from time to time, and to keep the administrative work involved in the reporting process as minimal as possible. Training and communication is required to close any knowledge gaps that may exist.

The most effective way to review the process to gauge its effectiveness is to conduct internal reviews and examine the effect on high risks. For example, are risks reduced? This would suggest that mitigation plans are having positive effect.

A review can be done at any level and will confirm that:

- The ERM process has been embedded into existing business processes (i.e. yearly planning exercises include a discussion on risks and risk management).
- Risks (whether by department or at corporate level) have been identified, an owner assigned and mitigations are in place and being addressed.
- Training and awareness sessions/information is readily available

- Tools are readily available, actually being used and are being reviewed/improved for efficiency and effectiveness as required
- Appropriate qualitative and quantitative metrics have been defined, measured and reported to all key stakeholders for their decision-making action.

## 11. REFERENCES

The following sources of information and tools are available on Ozone to assist in identifying, assessing and documenting risks. They can be found under Corporate Business Services.

[http://ozonehome.city.a.ottawa.ca/irj/portal/coo\\_ozone?dDocName=IQCT\\_016139](http://ozonehome.city.a.ottawa.ca/irj/portal/coo_ozone?dDocName=IQCT_016139)

- Enhanced Risk Management Policy, ACS2010-COS-ODP-0004 (PDF Fr. & Eng)
- Enhanced Risk Management Glossary of Terms (PDF Fr. & Eng)
- Enhanced Risk Management Governance Model (PDF)
- Corporate Risk Management Committee Terms of Reference (PDF)
- ERM Presentation (PDF)
- [Enhanced Risk Management Module](#); How to do a Risk Assessment (presentation) (PDF)
- [Sample Risk Checklist](#) (PDF)
- [Future Event Likelihood Rating](#) (PDF)
- [Risk Management Mitigation Plan](#) (MS Word doc)
- Risk Summary (MS Word doc)
- [Risk Impact Measurement Chart \(xls\)](#) (PDF)
- Risk Map (Evaluation of Risk/Heat Map)(PDF)
- Risk Score Chart (PDF)

Please direct any questions on ERM to Kim Hunton, Coordinator Corporate Risk Management, at extension 43703.