

EDMONTON

ADMINISTRATIVE PROCEDURE



TITLE	NUMBER
ENTERPRISE RISK MANAGEMENT PROCEDURE	
DEPARTMENT	FINANCIAL AND CORPORATE SERVICES
DELEGATED AUTHORITY	GENERAL MANAGER, CFO & TREASURER
CONTACT	CORPORATE MANAGER, ENTERPRISE RISK MANAGEMENT
DEFINITIONS	DATE

The definitions used in City Policy C587 apply to this Administrative Directive and Procedure, in addition to the terms defined in this section:

Directive - means the Enterprise Risk Management Directive;

Employee - means any individual employed by the City who reports directly or indirectly to the City Manager or City Auditor, along with those individuals employed / contracted by the City on a personal services agreement;

CFO - means the General Manager, Financial Services & Utilities, Chief Financial Officer & Treasurer;

CLT - means the City's Corporate Leadership Team;

ERM - means Enterprise Risk Management;

operational risk - means risk affecting the ability of an organization to fulfill its day-to-day operations and activities in a safe, timely, and effective manner;

Procedure - means the Enterprise Risk Management Procedure which accompanies the Enterprise Risk Management Directive, together with any related guidelines, standards, schedules or attachments referenced in the Procedure;

project risk - means risk affecting the ability of an organization to complete a project within established parameters of cost, quality, schedule, and scope as planned;

risk owner - means the person or group of persons with the responsibility and authority to manage the risk, including making determinations on risk tolerance;

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risk register - means a list of risks to achievement of the goals of an operational program, project, or plan, including a corresponding analysis of identified risks, the likelihood of their occurrence, the magnitude of the impact the occurrence of the risk will have on the identified operational program, project or plan, and mitigation strategies, in the form prescribed by this Procedure;

strategic risk - means risk affecting the ability of the organization to meet its long-term goals and strategic objectives.

PROCEDURES AND GUIDELINES

Enterprise Risk Management - Global Responsibility

City Policy C587 directs the City Manager to develop an ERM Framework for the City and to bring about cultural changes through training and tools that will foster a culture of transparency in relation to reporting on enterprise risks. Although responsibility for implementation of Council's policy directions lies with the City Manager, all employees under the City Manager's direction are responsible for implementing Council's policy goals in their everyday work.

The CFO has taken the lead in developing the administrative policy and procedural documents that will allow employees to identify, assess, manage, mitigate and report on enterprise risk in an efficient and meaningful way. The authority to create, oversee, and implement the City's ERM Framework, including the power to update this Procedure or add guidelines, standards, schedules or attachments to it, is delegated to that position. The CFO may mandate tools and processes to help employees fulfill their responsibilities under the Enterprise Risk Management Directive.

Employees will follow the requirements set out in the Procedure, to assess and manage enterprise risks present in their daily work. Risks may be as operational as identifying a problem with the route to a loading dock, and may go right up to the long term financial viability of the City through the provisions of its strategic plans. All employees are required to learn to identify risk within the scope of their work, and to promptly and effectively report on those risks.

Awareness of the need to identify and manage risks and communicate on them, is key to the City's success. Under no circumstances is it acceptable for any employee to ignore or conceal risks from other employees involved in the work or elected officials for any reason. Effective reporting means using plain, concise and neutral language to communicate risk issues so the individual(s) tasked with defining risk tolerance and resolving the issue has complete unbiased information upon which to make a decision. Risks will be reported through the management chain in a systematic and consistent manner through the use of risk registers and other tools provided by the CFO. Even if a matter falls within the administration's authority to establish a risk tolerance and resolve the issue, risk reporting to elected officials may still be required by management, and must be fully reported. Risk reporting will be a part of every CLT, Council and committee report requiring a decision. Reports identifying enterprise risk will be public unless there is a clearly identifiable legislatively supported reason for bringing an in-private report.

Risk is a One City issue and will frequently require employees to consider which other areas of the City - such as another business area, information technology, risk management, security, law, finance, intergovernmental affairs, or communications - need to be involved in communications in each situation. Employees will report on all matters through the established supervisory chain, but will ensure that supervisors are made aware that other areas may need to be involved to properly address identified and emerging risks.

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ERM Framework

The CFO will base the City's ERM Framework upon internationally recognized standards contained in the ISO 31000, and accompanying Guide 73, established in 2009. The ISO and related guidelines are under review, and the CFO will use the most current version to establish rules, tools, procedures and training for employees.

The risk registers and other tools provided by the CFO to accompany this Procedure will allow employees to follow the standard accepted processes for managing enterprise risks. At a high level, all risk assessments will follow the procedure outlined below. Each step in a risk assessment will be recorded through the use of risk registers and other tools developed by the CFO for this procedure summarizing the information from each step in the risk assessment:

1. Establish the Context - The first step in every risk assessment is to identify the risk and its scope. Is the risk assessment being conducted to evaluate a particular project, operational activity or a larger strategic goal? This will include:
 - a. Identifying the group of stakeholders who need to be involved in the risk assessment process and developing working groups and processes to conduct the assessment;
 - b. Identifying the risk owner. The risk owner may be easily ascertainable, but in cases involving higher level or broader risks, CLT and the City Manager will designate the risk owner;
 - c. Summarizing known facts giving rise to the risk assessment;
 - d. Clearly defining the scope / boundaries of the risk assessment;
2. Identify Risk - Using a list of risk categories, create a list of risks associated with the item being evaluated. The list of identified risks must be added to the risk register for the item. The risk list may include risks such as: legal or insurable risks, physical or information security, long term or short term financial goals, loss of opportunities or other items related to the specific risk.
3. Analyze Risk - Describe what could cause the risk to occur, and the consequences that will arise if it does occur.
4. Evaluate Risk - Estimate on a scale of 1 to 5, the likelihood of the risk occurring (based on the best information available) and on a scale of 1 to 5, the impact that the occurrence would have on the organization / project / operation. Multiply the numbers together to produce a risk score. Sort risks within the context by risk score (highest to lowest). Some additional steps need to be considered in terms of strategic risk and project risk:
 - a. Strategic Risk - This will include the additional step of weighting the strategic goals and objectives within the strategic plan and multiplying the risk score by the weighting for each item. Evaluation decisions will always rest with CLT and the City Manager, and the risk owner will be City Council;
 - b. Project Risk - the methodology for evaluating project risk is in the Project Management Reference Guide produced by the City's Corporate Centre for Project Management;

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5. Treat Risks - Beginning with the highest risk score item, prepare a list of treatments that could be used to manage the risk. The risk owner will determine risk tolerance based upon current and emerging information about the risk. Possible treatments could include:
 - a. taking actions to mitigate the likelihood of the risk occurring;
 - b. taking actions to mitigate the impact of the risk;
 - c. transferring the risk to another party such as the other party to a contract or an insurer;
 - d. accepting the risk, which is normally accompanied by monitoring - risk acceptance is a function of risk tolerance so is within the purview of the risk owner;
 - e. avoid the risk entirely by taking a different approach or simply declining to engage in the project, operation or strategy that gives rise to the risk.

Forms for defining the context, a list of risk categories, and applicable risk registers will be provided by the CFO and form part of this Procedure as they are developed or amended. Employees must ensure that they use the most current forms as they may change with the ISO requirements and other factors.

The steps in the ERM Framework are not static. The risk owner must establish reasonable review dates for each risk assessment. The context, evaluation and treatment may change as a result of the evolution of the risk, increased or new information, or outside factors that impact the definition or scope of the risk.

Throughout the process, the risk owner will ensure that risk assessment tools are prepared, are clear and current, and are provided to other employees, CLT, and the City Manager as required. The City Manager will determine which risks will be presented to elected officials.

Communications employees should be consulted in relation to how to communicate and report on risk to ensure that risks are communicated and reported in a clear and neutral manner. The City's Clerk's office may also be consulted in relation to Council reporting mechanisms.

Responsibility for Risk Registers

General Managers will be responsible for obtaining risk registers and other information required for this Procedure from their Branch Managers in relation to the City's strategic goals for which their department is responsible, in addition to operational and project registers provided by their Branch Managers. General Managers will provide strategic risk registers to CLT for review on an annual basis. Strategic risk registers will be provided to the Audit Committee and Council for information.

Branch Managers will assign responsibility for developing and maintaining strategic, project and operational risk registers for their areas of business, and ensure that employees tasked with these duties are afforded the opportunity to undertake training to become proficient in developing and maintaining each branch's risk registers. Strategic risk registers will be prepared annually and provided to General Managers. Risk registers for projects and operational matters will be developed in relation to existing and new projects and operations and regularly reviewed for currency and clarity.

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General Managers and Branch Managers will ensure that the ERM Framework process is informed by other areas of business that may have information about the risk or be impacted by it, and ensure they are included in the risk assessment process. They must also ensure that the City's legal, insurance, security, information technology and the City's other employees with applicable expertise are consulted to ensure that all risks are recorded and evaluated.

Transferring risk registers and risk information, and designating employees who will transition the registers and risk information must form part of the project plan for re-organizations.

COMPLIANCE

Any Employee who violates the Directive or this Procedure will be subject to disciplinary action, up to and including termination.

ATTACHMENTS

Attachment I - ERM Framework
Attachment II - Forms - Context Paper and Evaluation
Attachment III - Risk Registers - Strategic, Project and Operational