ENTERPRISE RISK MANAGEMENT - POLICY C587 UPDATE

RECOMMENDATION

That Audit Committee recommend to City Council:

> That revised Enterprise Risk Management Policy C587A, as set out in Attachment 1 of the November 30, 2023, Financial and Corporate Services report FCS02101, be approved.

Requested Council Action	For Decision		
ConnectEdmonton's Guiding Principle	**ConnectEdmonton Strategic Goals**		
CONNECTED This unifies our work to achieve our strategic goals.	**N/A**		
City Plan Values	THRIVE		
City Plan Big City Move(s)	N/A	**Relationship to Council's Strategic Priorities**	Conditions for service success
Corporate Business Plan	Managing the corporation		
Council Policy, Program or Project Relationships	● Council Policy C587 Enterprise Risk Management (2016)		
Related Council Discussions	● February 13, 2023, Financial and Corporate Services report FCS01391, Annual Corporate Strategic Risk Profile		

Executive Summary

- Council Policy C587 requires updates to accurately reflect revised processes and procedures for Enterprise Risk Management, which were implemented in 2021.
- The Corporate Policy Framework actively initiates a review of policies every three years for relevance and effectiveness. The framework also outlines standards for policy updates to set out strategic or high-level direction from Council.

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ROUTING - Audit Committee / City Council | DELEGATION - S. Padbury, K. Matheson
November 30, 2023 – Financial and Corporate Services FCS02101

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- The update to the corresponding Enterprise Risk Management Administrative Procedure supports the update outlined by the policy framework.

REPORT

The incorporation of Enterprise Risk Management as a part of the corporate business planning process was approved and implemented in 2006. The implementation clarified the City Auditor's role in providing governance and oversight to review the management of key risks and evaluate risk management processes. Administration is accountable for effectively applying risk management, processes, procedures and active response planning to mitigate identified risks. Collectively, Administration and the City Auditor champion Enterprise Risk Management and collaborate on best practices and continuous improvement.

In 2016, as part of continuous improvement and enhancing governance, City Policy C587 was approved by Council along with the Administrative Directive and Procedure. This aligned with Council's policy goals, formalized the annual presentation of strategic risks to Audit Committee and mandated the inclusion of significant risks in all decision reports to Council.

Current Policy

The current Council Policy C587 Enterprise Risk Management is seven years old, and the policy standards no longer align with the 2021 Corporate Policy Framework. Since 2016, Administration has continually enhanced and evolved Enterprise Risk Management and its reporting through Audit Committee, embedding risk analysis in Council reports and reporting risks publicly, as required. Since 2019, Enterprise Risk Management has been further integrated and embedded into the corporate planning process by implementing the Strategic Planning Framework. The Strategic Planning Framework is the interconnected set of plans and processes that guide how the City works to enable a better life for Edmontonians; it includes the following six components:

1. ConnectEdmonton - direction
2. The City Plan - choices
3. Corporate Business Plan - actions
4. Capital and Operating Budgets - resources
5. Enterprise Performance Management (EPM) - performance
6. Enterprise Risk Management (ERM) - assurance

The 2016 policy is prescriptive in providing actions to support the initial adoption of Enterprise Risk Management, processes, tools and reporting requirements. Administration has matured and evolved ERM over the past seven years, as the reporting of risks is continuous and fully embedded in the operations and governance of the City.

The corresponding Administrative Procedure is also prescriptive as it outlines process steps, tools, response actions, risk categories and instruction on scoring risks and, therefore, requires updating. Meanwhile, the Administrative Directive's sole mandate was the establishment of an Enterprise Risk Management Framework and formalizing processes and procedures. With the mandate of the Administrative Directive now complete, the directive will be rescinded.

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Overview of Policy Updates

The proposed updated Council Policy C587A (Attachment 1) reflects the new guidelines provided by the Corporate Policy Framework. The new policy sets out Enterprise Risk Management's direction and guiding principles, aligning with the updates implemented in the Enterprise Risk Management Framework.

The five guiding principles below set the direction and expectations for Administration to ensure the City's commitments to stewardship and accountabilities to residents and the community in managing City resources and assets:

- Effective Governance
- Integration
- Meaningful Engagement
- Consistency in Execution
- Effective Monitoring and Reporting

The updated procedure (included as Attachment 2, for information only) prescribes to the Enterprise Risk Management specific governance and accountability of leadership, the overall process used to activate the policy and the reporting mandate across the organization. Because of the significance of the changes to content and Policy C587A, the differences between the previous C587 and proposed policy are summarized in Attachment 3, in lieu of a redline version.

Community Insight

Extensive public engagement with residents helped develop the strategic goals that guide the Strategic Planning Framework through ConnectEdmonton and The City Plan. The Enterprise Risk Management Framework aligns with supporting the goals and outcomes of ConnectEdmonton and The City Plan. Active implementation and the detailed risk identification and assessment process for each risk consider the impact on residents and the community. The overall updates are based on the research of best practices from municipalities and industry.

GBA+

All Council policy and administrative procedure updates are reviewed with a GBA+ lens. Enterprise Risk Management is designed to identify and evaluate all potential and viable risks across every spectrum. The active tools used for risk identification, assessment and corporate GBA+ process helps challenge inherent biases and provide a process for determining context and leveraging research to assess identified risks. The update of the policy to present the guiding principles outlines the holistic approach to risk management, which specifically reinforces more integration and consultation among business areas for more meaningful engagement and broader analysis of impact. The Enterprise Risk Management Framework continually seeks and leverages subject matter expertise across the organization for consultation and review of risks throughout the process.

Attachments

1. Updated Council Policy - C587A Enterprise Risk Management
2. Updated Administrative Procedure - Enterprise Risk Management

3.   Summary of Updates to Policy C587 Enterprise Risk Management