	REPORT NO.: **2019-62**
MEETING DATE: **DECEMBER 12, 2019**	*DATE PREPARED:* **NOVEMBER 26, 2019**
SUBJECT: **ENTERPRISE RISK MANAGEMENT – RISK APPETITE STATEMENTS**	

RECOMMENDATION

THAT with respect to Report No. 2019-62 (Corporate Services Division), we, The District of Thunder Bay Social Services Administration Board, approve the Risk Appetite Statements as presented.

REPORT SUMMARY

To provide The District of Thunder Bay Social Services Administration Board (TBDSSAB or the Board) with the Risk Appetite Statements in alignment with the comprehensive Enterprise Risk Management (ERM) Framework, for approval.

BACKGROUND

Developing an ERM System was identified as a component of the 2017 - 2020 Practical Vision of TBDSSAB; specifically, as a component within Transparent and Sustainable Finances.

To strengthen TBDSSAB risk management functions and develop a fulsome process, Administration began the process of establishing a comprehensive risk management overview and framework.

The Board approved the Enterprise Risk Management (ERM) Policy at its November 2018 Meeting, which included direction that Administration complete an ERM Framework.

The Board approved the ERM Framework, and resultant risk tolerance at its November 2019 Meeting, and, based on the approved risk tolerance, directed Administration to develop an appropriate Risk Appetite Statement (RAS) for Board approval.

COMMENTS

The final component of the comprehensive ERM Framework is the establishment of the Board's RAS, which is defined[i] as the articulation of the amount of risk, on a broad level, that an organization is willing to accept in pursuit of its goals and objectives. In addition, Risk Appetite:

- Reflects the organization's vision, mission and values;
- Is strategic;
- Guides the allocation of resources;
- Influences the organization's attitudes toward risk;
- Requires effective monitoring of the risk, and of the organization's continuing risk appetite.

Consistent with the development of the ERM Framework, best practices were used to guide the development of the RAS for each of the Risk Categories identified within the ERM Framework Summary.

Risk Appetite Levels

The following definitions were used to develop the RAS:

Low	• Cautious approach and intentionally conservative
Moderate	• Measured and deliberate approach • Will accept selected risks, but must be soundly justified
High	• Flexible approach with higher possibility of failure • Willing to tolerate uncertain outcomes • Willing to take risks when longer-term benefits are foreseeable

Risk Appetite Statements

Based on the above definitions, the following RAS were developed for each of the Risk Categories within the ERM Framework Summary:

Risk Category	Risk Appetite Statements
Strategic • *Risk of not being able to respond well to external changes as a result of inaction, ineffective strategies, or poor implementation of strategies*	• TBDSSAB has a **low** willingness to accept risks that have no alignment with the Board's mandate, and ineffective or inefficient decision making and execution. • TBDSSAB has a **moderate** risk appetite to evolve, adapt and remain relevant to the delivery of its services to clients, tenants, applicant, and to be responsive to changes in the internal and external operating environment. • To allow for innovative and local solutions, TBDSSAB accepts a **high** risk appetite for continuous improvement of internal processes.

Financial and Liquidity • *Risk that the Board will be unable to meet its financial commitments in a timely manner (suppliers, lenders, investments, compensation and benefits)*	• Because TBDSSAB needs to be fiscally accountable, it has a **low** risk appetite for weak internal controls and reporting, irresponsible use of resources, and creating unnecessary liabilities. • TBDSSAB acknowledges that some of its activities operate within external financial market systems, and accepts a **moderate** risk appetite relative to those market conditions.
Regulatory/Compliance • *Risk of not complying with regulatory and other obligatory authoritative requirements*	• TBDSSAB has a **low** risk appetite for non-compliance with health and safety work practices, and building regulatory requirements and systems.
Operational/Programs • *Risk of operational/ program impact resulting from inadequate or failed internal processes, people and systems, or from external events*	• TBDSSAB has a **low** risk appetite for asset failures (including technological and building systems), given the potential impact on client, tenant and staff. • TBDSSAB has a **low** risk appetite for internal process ineffectiveness. • TBDSSAB acknowledges a **moderate** risk appetite within environmental and third-party risk components, recognizing that services are provided in an ever-changing internal and external environment, including client and tenant behaviours that may impact staff, stakeholders, or the safety of other clients/tenants.
Human Capital • *Risk associated with inadequate policies, processes and practices to hire, develop and retain resources with appropriate competencies to operate the programs and maintain a safe, ethical, accessible and non-discriminatory work environment that complies with employment law*	• TBDSSAB promotes a professional, respectful workplace, and, therefore, has a **low** risk appetite for non-compliance with ethical standards and principles of respect and diversity. • TBDSSAB acknowledges that, to provide fair and objective outcomes for all staff, a **moderate** risk appetite supports innovative approaches to human capital resource allocation processes.

Technological • *Risk associated with inappropriate access or use of information*	• TBDSSAB has a **low** risk appetite for unauthorized access, use or release of personal identifiable information and sensitive data, as well as non-compliance with Information Technology policies and procedures, and resiliency planning and redundancy systems. • TBDSSAB acknowledges a **moderate** risk appetite for its ability to meet user demands, and technology infrastructure performance.
Brand/Reputation • *Risk of negative publicity, public perception or uncontrollable events having an adverse impact on the organization's reputation, thereby affecting program delivery*	• TBDSSAB has a **low** risk appetite for poor employee conduct with peers, clients, tenants, and applicants, and staff's misuse of social media platforms. • Given the third-party relationship with external and funded agencies, TBDSSAB accepts a **moderate** risk appetite for issue escalation and response for activities outside of the organization.

Overall, a low to moderate risk appetite is identified across the ERM Framework, except for the political risk within the Strategic category relative to continuous improvement processes, based on the nature of that activity.

A summary linking the Risk Categories with the Types of Risk and the related RAS is provided in Attachment #1 – Summary - Risk Appetite Statements by Risk Category.

Next Steps

Once approved, the risk appetite will be communicated throughout the organization, and monitored, to ensure that the Board's risk appetite is considered and appropriately reflected in all strategic and operational decisions.

FINANCIAL IMPLICATIONS

There are no immediate additional financial implications associated with the approval of the RAS. Future decisions related to the management of risk within the RAS may impact resource allocation, and will be identified accordingly.

CONCLUSION

It is concluded that the Risk Appetite Statements identify the level of risk that TBDSSAB is willing to accept in each of the ERM Risk Categories, are appropriate based on the ERM Framework and the resulting risk tolerance, and should be approved.

REFERENCE MATERIALS ATTACHED

Attachment #1 – Summary - Risk Appetite Statements by Risk Category

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APPROVED / SIGNATURE:	*[signature]* Georgina Daniels, FCPA, FCA, Director - Corporate Services Division The District of Thunder Bay Social Services Administration Board
SUBMITTED / SIGNATURE:	*[signature]* William (Bill) Bradica, Chief Administrative Officer The District of Thunder Bay Social Services Administration Board

[i] Committee of Sponsoring Organizations of the Treadway Commission – Enterprise Risk Management

The District of Thunder Bay Social Services Administration Board
Summary - Risk Appetite Statements by Risk Category

Strategic Risk	Financial and Liquidity Risk	Regulatory and Compliance Risk	Operational and Program Risk
Risk of not being able to respond well to external changes as a result of inaction, ineffective strategies, or poor implementation of strategies	*Risk that the Board will be unable to meet its financial commitments in a timely manner (suppliers, lenders, investments, compensation and benefits)*	*Risk of not complying with regulatory and other obligatory authoritative requirements*	*Risk of operational/program impact resulting from inadequate or failed internal processes, people and systems, or from external events*
Low Risk Appetite a Management information risk	**Low Risk Appetite** a Liquidity risk a Employee misconduct/fraud	**Low Risk Appetite** a Regulatory compliance risk a Regulatory change risk	**Low Risk Appetite** a Property/equipment system risk a Process risk
Moderate Risk Appetite a Political risk	**Moderate Risk Appetite** a Credit risk a Market risk a Third-party risk a Political risk	**Moderate Risk Appetite** a N/A	**Moderate Risk Appetite** a Environmental risk a Third-party risk a Demographic risk a Legal risk a Program Delivery risk
High Risk Appetite a N/A	**High Risk Appetite** a N/A	**High Risk Appetite** a N/A	**High Risk Appetite** a N/A

Human Capital Risk	Technological Risk	Brand Reputational Risk	
Risk associated with inadequate policies, processes and practices to hire, develop and retain resources with appropriate competencies to operate the programs and maintain a safe, ethical, accessible and non-discriminatory work environment	*Risk associated with inappropriate access or use of information*	*Risk of negative publicity, public perception or uncontrollable events having an adverse impact on the organization's reputation, thereby affecting program delivery*	
Low Risk Appetite a Employee misconduct risk	**Low Risk Appetite** a Information security risk a Information security risk - breach	**Low Risk Appetite** a Employee misconduct risk	
Moderate Risk Appetite a Hiring/retention risk a Program delivery risk	**Moderate Risk Appetite** a Third-party risk	**Moderate Risk Appetite** a Third-party risk a Public perception/brand risk	
High Risk Appetite a N/A	**High Risk Appetite** a N/A	**High Risk Appetite** a N/A	