



	REPORT No.: 2020-42
MEETING DATE: SEPTEMBER 17, 2020	DATE PREPARED: AUGUST 28, 2020
SUBJECT: ENTERPRISE RISK MANAGEMENT - REPORTING	

RECOMMENDATION

THAT with respect to Report No. 2020-42 (Corporate Services Division), we, The District of Thunder Bay Social Services Administration Board, accept the annual reporting template and cycle for the Residual Heat Map and Risk Trajectory Dashboard.

REPORT SUMMARY

To provide The District of Thunder Bay Social Services Administration Board (TBDSSAB or the Board) with an update on the organization's Enterprise Risk Management (ERM) Framework.

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 Risk Appetite Statement at its December 2019 meeting.

COMMENTS

With the development and approval of the ERM Framework, risk tolerance, and risk appetite statements, Administration proceeded with the development of Key Risk Indicators (KRI) (definitions, tracking requirements, reporting frequency) and related ownership for each of the ERM Framework's Risk Categories.

Description/Value of Key Risk Indicators

KRI are the metrics that provide timely leading-indicator information regarding the status of risks within the organization. Monitoring KRI provides insight into the trend/direction of emerging risk areas that may require treatment to ensure the risk level remains within the approved risk tolerance so that the organization can continue to meet its defined objectives/mandate.

The effectiveness of KRI is an ongoing process to determine if the identified indicator is providing the required information to assess emerging risks; these indicators need to be continuously monitored and evaluated for their efficacy.

In most cases, the KRI established for the approved TBDSSAB risk categories and risk types within the ERM Framework were already established through existing monitoring and/or management processes. These KRI have now been linked to the related risk category and will be monitored through the ERM Framework monitoring and reporting processes. In addition to establishing the KRI baseline, Risk Tolerance Ranges with specific definitions and thresholds were established to support the identification of the trajectory of the identified risk.

In those cases where new indicators were required, KRI are in the process of being established with benchmarks, risk tolerance ranges and required reporting frequency.

Monitoring and Reporting

With the establishment of the KRI for each Risk Category, on-going monitoring will be completed to determine the efficacy of each KRI in relation to the risk that the indicator is intended to measure. The resulting risk summaries and related risk trajectory will be updated and reported annually through an updated Residual Heat Map, as well as a risk summary dashboard identifying the trajectory of each identified risk. In addition, any further refinement of the ERM Framework risks would also be reported annually.

Any identified risk treatment that requires financial or other resources will be provided through the annual budget process, or as required.

Attachment 1 provides the proposed Risk Trajectory Dashboard that would be provided to the Board on an annual basis with the Residual Heat Map.

FINANCIAL IMPLICATIONS



There are no immediate additional financial implications associated with the development and monitoring of the ERM Framework KRI. Future decisions related to the management of risk may impact resource allocation, and will be identified during the annual budget process, or as required.

CONCLUSION

It is concluded that the development of the Key Risk Indicators completes all the components required to monitor risk across the ERM Framework, and that monitoring of each risk category can now be completed so that the trajectory can be reported and treated, as required.

REFERENCE MATERIALS ATTACHED

Attachment #1 – [Risk Trajectory Dashboard Template](#)

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Category	Type of Risk	#	Nature of Risk	Indicators	Risk Exposure - Original Assessment*	Changes at (date)	Trajectory**
STRATEGIC Risk of not being able to respond well to external changes as a result of inaction, ineffective strategies, or poor implementation of strategies	Management Information Risk	S1	Risk that information is not available, timely, or accurate about program operations to enable informed decision-making	- Quarterly reporting: financial and operating vs. Budget - Trending of timeliness of confirmation of programs and funding from the Province			
		S2	Risk that we do not maximize the use of technology to achieve identified outcomes (appropriate training/process reviews/updated procedures)	- Status of version software - Number of continuous process improvements that involve technology enhancements			
	Political Risk	S3	Risk that there is significant change in Government policies and funding that requires major changes to TBDSSAB infrastructure (human resources, systems, equipment, buildings, staffing programs)	- Number of times major negative staffing changes are made due to provincial funding changes			

Category	Type of Risk	#	Nature of Risk	Indicators	Risk Exposure - Original Assessment*	Changes at (date)	Trajectory**
FINANCIAL AND LIQUIDITY Risk that TBDSSAB will be unable to meet its financial commitments	Credit Risk	F4	Risk of not being able to borrow funds to meet financial obligations and/or implement the Board's direction	- Net debt ratio			
	Market Risk	F5	Risk that interest rates will change and negatively impact interest income or borrowing costs	- Interest rates			
		F6	Risk of a change in the value of investments due to external market conditions reducing the value of the available amount in reserve funds to meet TBDSSAB obligations	- Performance vs. TSX			
	Liquidity Risk	F7	Risk of running an in-year operating deficit overall that can't be mitigated	- Levy Stabilization RF level - Operating Levy surplus/deficit			
	Third-Party Risk	F8	Risk that suppliers or vendors fail to meet expected performance objectives or service standards, and are not cost effective	- Number of contract-management interventions			
		F9	Risk that service providers and funded organizations do not meet service standards in providing services to their clients/tenants	- Number of PIDS (Housing) - Number of Serious Occurrences (Child Care)			
	Political Risk	F10	Risk that rent revenues could decrease due to changes in tenant mixture and/or Provincial programs	- Tenant mix (OW, ODSP, Employment, Fixed Income, Market) - Status of Regulatory RGI changes			
	Employee Misconduct/ Fraud	F11	Risk that TBDSSAB assets (<u>phones</u>) will be misused, and, therefore, limit their ability to support programming	- Number of reported incidents			

Category	Type of Risk	#	Nature of Risk	Indicators	Risk Exposure - Original Assessment*	Changes at (date)	Trajectory**
FINANCIAL AND LIQUIDITY (cont'd.)	Employee Misconduct/ Fraud (con't.)	F12	Risk that TBDSSAB assets (<u>technology</u>) will be misused, and, therefore, limit their ability to support programming	- Number of reported incidents			
		F13	Risk that TBDSSAB assets (<u>vehicles</u>) will be misused, and, therefore, limit their ability to support programming	- Number of reported incidents			
		F14	Risk that staff will falsify expense accounts and/or payroll records	- Number of reported incidents			
		F15	Risk that staff will falsify client/tenant or vendor records	- Number of reported incidents			

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<u>REGULATORY/ COMPLIANCE</u> Risk of not complying with regulatory and other obligatory authoritative requirements	Regulatory Compliance	R16	Risk of inadvertent or negligent errors, acts or omissions of employees or agents that are inconsistent with, and/or in breach of, regulatory or other obligatory authoritative requirements (QMS is the treatment)	- Number of reported incidents			
		R17	Risk of not meeting requirements in <i>OH&S Act</i> and Regulations	- Number of orders issued by Ministry of Labour - Number of investigations			
	Regulatory Change	R18	Risk that changes in building codes, fire safety requirements or regulatory inspections could have a financial and operational impact on current and future building operations	- Number of building code/ regulation changes - \$ value of impact of changes			
		R19	Risk that Trades' licenses and requirements could require additional reliance on external contractors to maintain properties	- Number of Trades' license/ regulatory changes - \$ value of additional external contracts required as a result of Trades' license changes			

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<u>OPERATIONAL/ PROGRAMS</u> The risk of operational/ program impact resulting from inadequate or failed internal processes, people and systems, or from external events	Environmental Risk	P20	Risk that Acts of Nature (fire, storm, wind, flood) would negatively impact building operations and possibly displace tenants	- Number of incidents			
		P21	Risk that [extreme] weather events impact program delivery	- Number of incidents			
		P22	Risk that operations are disrupted by A) Fire B) Explosion C) Power failure D) Biohazard E) etc.	- Number of incidents			
	Property/ Equipment System Risk	P23	Risk that building systems' failures (heating, water heating, potable water, air exchange, emergency generators) could impact tenants and require financial investment	- Number of incidents			
		P24	Risk that server recovery is not timely or complete so that client/tenant service is impacted (Hardware/software applications)	- Number of incidents			
		P25	Risk that telecommunication system cannot be recovered on a timely basis so that client/tenant service is impacted	- Number of incidents			
		P26	Risk that Satellite Offices cannot connect for an extended period of time	- Number of incidents			
Third-Party Risk	P27	Risk that tenant activities (negligence or criminal) could impact building operations and displace tenants or require financial investment	- Number of incidents - \$ value of financial investment				

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OPERATIONAL/ PROGRAMS (cont'd.)	Third-Party Risk (cont'd.)	P28	Risk of tenant health issues impacting staff, other tenants, stakeholders, or themselves	- Number of incidents			
		P29	Risk that tenant behaviours impact staff, stakeholders and other tenant safety	- Number of WSIB, STD claims due to tenant behaviour - Number of incidents			
		P30	Risk that vendor enters wrong tenant unit	- Number of incidents			
		P31	Risk that community at large (e.g., gangs, drugs) negatively impacts TBDSSAB property (vandalism, dumping, theft)	- Number of incidents			
		P32	Risk that third-party labour disputes disrupt/interrupt TBDSSAB operations and programs	- Number of incidents - Bargaining timelines of third-party labour negotiations			
		P33	Risk that patrons' behaviours/actions impact the safety of TBDSSAB staff (HQ and offices, TBDSSAB facilities, vehicles, travel)	- Number of incidents, including by type			
		P34	Risk that clients/tenants/vendors take advantage of internal control weaknesses in third-party operations (bank software)	- Number of incidents, including by type			
		Process Risk	P35	Risk of applicant receiving assistance, not receiving accurate information (all programs)	- Number of complaints from clients		
	P36		Risk of errors in granting Ontario Works benefits (Financial and Employment)	- Number of client file audit results			

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		P37	Risk of errors in granting Child Care Fee Subsidy	- Number of client file audit results			
		P38	Risk of errors in calculating RGI rent subsidy, portable housing benefit	- Number of tenant file audit results			
OPERATIONAL/ PROGRAMS (cont'd.)	Process Risk (cont'd.)	P39	Risk of errors in establishing rent supplements and external supplier contracts	- Number of tenant file audit results			
	Demographic Risk	P40	Risk of lack of suitability of housing units to meet tenant need	- Trend of vacancy by type			
	Legal Risk	P41	Risk of liability in third-party landlord properties (H&S, contracts)	- Number of tenant complaints			
	Program Delivery Risk	P42	Risk of inadequate and/or inappropriate employment planning for clients/tenants so that clients/tenants do not receive the services they need	- Number of employment/ community placements			
		P43	Risk of not following policies and procedures	- Number of incidents			

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HUMAN CAPITAL Risk associated with inadequate human resource policies, processes and practices to hire, develop and retain resources and appropriate competencies to operate the programs and maintain a safe, ethical, and non-discriminatory work environment that complies with employment law	Hiring/ Retention Risk	H44	Risk that professional development to support employee growth cannot be completed to retain key positions	- Succession Plan results			
		H45	Risk that we cannot attract suitable qualified candidates for key positions (skilled trades, technical, management)	- Vacancy Report (Incl. number of positions attracted and retained) - Number of qualified applicants/key positions			
		H46	Risk of unexpectedly losing a key member of the leadership team	- Number of incidents			
		H47	Risk of disengaged staff causing negative impact on fellow staff members	- Number of incidents			
		H48	Risk of a high turnover rate (internal operations and public perception)	- Annual turnover rate			
	Program Delivery Risk	H49	Risk that geographic dispersion is too large to ensure effective employee supervision	- Span of control, i.e., supervisory: staff ratio			
		H50	Risk that labour disruption impacts TBDSSAB operations	- Number of labour disruptions			
	Employee Misconduct	H51	Risk of harassment and bullying in the workplace (also brand reputation) is not addressed, and leads to negative legal/reputation outcomes.	- Number of incidents			
		H52	Risk of staff taking advantage of tenants	- Number of incidents			

Category	Type of Risk	#	Nature of Risk	Indicators	Risk Exposure - Original Assessment*	Changes at (date)	Trajectory**
TECHNOLOGICAL The risk associated with inappropriate access or use of information	Information Security Risk	T53	Risk of cyber threats and IT security vulnerabilities	- Number of incidents			
	Information Security Risk - Breach	T54	Risk that there is a breach of confidential data: A) Risk that confidential/client/tenant files/sensitive documents leave the building B) Risk that email with key information is sent to incorrect individuals C) Risk that storage and communication devices will be stolen or misplaced or fail (laptops, phones, etc.) D) Risk that hard-copy files are lost, misplaced or destroyed	- Number of incidents			
	Third-Party Risk	T55	Risk that programs will be offline for extended periods of time, and impact operations (externally-hosted software)	- Number of incidents			

Category	Type of Risk	#	Nature of Risk	Indicators	Risk Exposure - Original Assessment*	Changes at (date)	Trajectory**
BRAND/ REPUTATION The risk of the potential for negative publicity, public perception or uncontrollable events to have an adverse impact on TBDSSAB's reputation, thereby affecting program delivery.	Third-Party Risk	B56	Risk that a serious occurrence in a funded agency is reflected on TBDSSAB	- Number of incidents			
		B57	Risk that unfavourable events (e.g., security breach) impact TBDSSAB's reputation	- Number of incidents			
	Public Perception /Brand Risk	B58	Risk of <i>perceived</i> unfair procurement activities	- Number of incidents			
		B59	Risk that complaints from clients, tenants, applicants, general public through MP/MPP office, or municipal councillor, Board Member, are not prevented or mitigated.	- Number of incidents			
	Employee Misconduct	B60	Risk of misuse of social media platforms by staff, resulting in negative brand	- Number of incidents			

*Risk Exposure Legend	
Red	Immediate Focus/Action Required
Gold	Focus on best practice improvement
Yellow	Monitor, with a view to best practice improvement
Green	Monitor
Blue	No action required

**Trajectory Legend	
Significant Increase	↑
Moderate Increase	↑
No Change	↔
Decrease	↓