



BOARD REPORT

REPORT No.: 2022-56

MEETING DATE: SEPTEMBER 15, 2022

SUBJECT: ENTERPRISE RISK MANAGEMENT - ANNUAL UPDATE

RECOMMENDATION

For information only.

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 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.

At its September 17, 2020, meeting, the Board approved the annual reporting template and cycle for the Residual Heat Map and Risk Trajectory Dashboard.

The first annual ERM update was provided to the Board at its September 16, 2021 meeting.

COMMENTS

In its first iteration of the ERM Framework, Administration worked to identify all possible risks to the organization with the understanding that through regular monitoring and measuring of the Framework, refinements would be made to more accurately or appropriately identify the Key Risks to TBDSSAB.

In that regard, updates were made during the first review in 2021 and provided to the Board. Further updates were made as a result of Administration's review process in 2022, in accordance with the approved ERM Policy (CS-01:120).

ERM Summary Updates

1. Change from Primary Risk to Secondary Risk

The effectiveness of the ERM Framework is reviewed through an ongoing monitoring process. Through this process, the appropriateness of the various risks is confirmed with further refinements made as a result of Administration's review of the ERM over the past year.

Originally, all risks were defined as primary risks; however, in 2021, certain items were reclassified as secondary risks based on further review, as well as the results of measuring the risks during that year.

That same process was completed during the annual review this year, and additional items were identified as secondary risks where limited exposure continued based on the history, as well as the results of measuring the risks during the year.

Based on continued monitoring of results, risks identified as Secondary Risks in 2021 will remain classified as such; additional items were reclassified as Secondary Risks through this year's review. Secondary risks will continue to be monitored to ensure the classification to secondary remains relevant, however, would not be reported within the Residual Heat Map, nor the Risk Trajectory Dashboard, due to their low risk assessment and results during the previous year.

In particular, the following risks were reclassified as secondary risks:

#	Description – Nature of Risk	Rationale
F10	Risk that rent revenues could decrease due to changes in tenant mixture and/or Provincial programs.	Rent Revenues would be included in F7, along with all other components of the financial status of the organization, e.g., Provincial funding, utilities, property taxes; therefore, move to Secondary risk to continue to track individual items, but rent revenue risk is one of many components of the risk of running an in-year operating deficit overall that cannot be mitigated.
P32	Risk that third-party labour disputes disrupt /interrupt TBDSSAB operations and programs.	This risk is deemed low, given mitigation strategies identified and the likelihood of impact.
P34	Risk that clients/tenants/vendors take advantage of internal control weaknesses in third-party operations (bank software).	This risk related to cheques issued by TBDSSAB has been reduced given the significant increase in electronic payment processes (approximately 95% of clients use electronic payment processes, and 99% of vendors are on electronic payment processes), therefore there is a significant reduction in exposure relative to the previous paper payment processes.

2. Combined Risks

Certain risks were identified as being fundamentally similar and could be combined without losing the integrity of the nature of risk and its potential impact on TBDSSAB. In particular:

- **S1 and S3** were combined into **S1**. Given that TBDSSAB exists as a result of legislation (*DSSAB Act*), and therefore defines DSSAB's programming, the risk relates to the ability to mitigate any programming change impact through awareness of provincial changes as identified in S1.
- **P29 and P33** were combined into one under the Human Capital section and will be renumbered and reworded as **H61**: Risk that tenant or patron behaviours (physical, violent, harassment) impact staff, stakeholders and other tenant/ patron safety (HQ and satellite offices, TBDSSAB facilities, vehicles).

3. Risks Removed

Risks were considered for removal if, after monitoring for the past year, it was determined that they are not a risk for TBDSSAB. One risk was identified for removal:

- **P30** - Risk that vendor enters wrong tenant unit.

4. Other Updates

Further clarification/revisions were made to the Nature of Risks throughout the ERM summary to more closely align with the intent of the risks for TBDSSAB.

The updated ERM Summary is provided in Attachment 1.

Summary

With the updated ERM Summary, and based on the experiences across the organization, the Assessed Residual Risk was also updated. Overall, the risk exposure has remained largely consistent with the original assessment of the Types of Risk identified within the ERM Summary, and that the key controls continue to be effective to treat the risks.

One exception continued to be P20, which has increased from focusing on best practices to requiring immediate focus due to an unusual number of weather events which caused significant disruption to properties and services during the year. The organization has continued to build upon its commitment relative to reduction in greenhouse gas emissions through capital building updates and reviewing options relative to further engagement with environmental stewardship strategies. The global pandemic continued to impact the organization in this area as well.

In addition, P27, increased from monitoring, to monitoring with a view to best practice improvements, specifically related to tenant and community activity within certain housing properties. TBDSSAB is in the process of having a security review completed through an external consultant so that recommended best practices can be considered in this area.

The updated Residual Heat Map is provided in Attachment 2, and the resulting Risk Trajectory Dashboard is provided in Attachment 3.

STRATEGIC PLAN IMPACT

Monitoring, reviewing and updating the Enterprise Risk Management System aligns with the financial stewardship component of the strategic plan to support a strong organization.

FINANCIAL IMPLICATIONS

There are no immediate additional financial implications associated with this report. 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 monitoring and updating of the ERM has been completed, and the results have been presented through the Residual Heat Map and Risk Trajectory Dashboard.

It is also concluded that the Key Controls remain relevant to support the treatment of risk across the organization.

REFERENCE MATERIALS

- Attachment #1 [Updated Enterprise Risk Management Summary](#)
- Attachment #2 [Residual Heat Map](#)
- Attachment #3 [Risk Trajectory Dashboard](#)

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