Enterprise Risk Management Policy

Date Approved: NOVEMBER 18, 2019

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Replaces:

Purpose

To implement a continuous, proactive and systematic approach to risk management that involves the Council, management and staff.

The Town's risk management processes are designed to identify potential risks and opportunities that may affect the achievement of its objectives, and to manage these within an agreed upon range of risk tolerances.

The purpose is to set out the Town's overall expectations for risk management and the parameters in which it will be conducted. This policy is not intended to be descriptive or prescriptive of risk management approaches. Rather, it is intended to provide guidance on the principles for the practice of risk management for the Town.

DEFINITIONS

"Risk management" means an approach that is applied strategically and appropriately to provide reasonable assurance that the Town will achieve its legal responsibilities and overall objectives.

POLICY

General Provisions
The Town provides local government service to the citizens within the boundaries of the Town. The consequences of the services activity may have material health, social and financial implications for its citizens.

Context

The context in which the Town works requires a tolerance of risk which may pose threats to success and offer opportunities for innovation. To achieve its objectives, the Town must evaluate both risks and opportunities in a manner sensitive to where it works and what it is trying to achieve while exercising good stewardship over the resources entrusted to it.

1. The Town believes risk taking is a necessary and accepted part of its business. As such, it takes risks knowingly, and manages them in a responsible, informed manner. Resources available to mitigate risks are finite, and informed decision-making is required to sensibly and practically manage risks to acceptable levels. This means balancing the needs to probity and innovation within an agreed set of accountabilities and expectations. To do this, management sets and communicates tolerance levels for risk strategically and at the program, operational and corporate levels.

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2. The management of risk in all areas of the Town needs to be integrated so that all levels of risk management activities support each other. The Town's risk management strategy is led from the top and is embedded in the normal working routines and activities of the Town. All staff should be aware of the relevance of risk to the achievement of their objectives.

Objectives

1. The objectives of risk management are to enhance the ability of the organization to meet its objectives while protecting the interests of its citizens. Risk is the combination of probability and impact of future actions and events with both negative and positive consequences. Good management of risk will allow the Town to:
   a. Be more confident in the level of achieve of its risk objectives;
   b. Effectively contain threats to acceptable levels; and
   c. Take information decisions about exploiting opportunities.

   2. The Town takes an effective and reasonable approach to risk management by:
      a. Applying a continuous proactive and systematic approach to identifying, assessing, managing and monitoring risks.
      b. Setting and communicating risk tolerance levels to guide management and identified risks.
      c. Ensuring that the Town's Council, Management and staff understand their roles and are well equipped to undertake the effective management of risk at an appropriate manner at each level of the organization.
      d. Recognizing that the management of risk is not a linear process, that risk and risk management activities are interrelated and need to be managed in an integrated manner to balance the interrelated elements and to ensure that there are no gaps in risk management practices.
      e. Understanding and managing risks through a combination of programmed and operational interventions applied in a systematic risk management framework.
      f. Ensuring that risk management outputs are considered during the development of the Town's operating budgets, capital budgets, resource allocations, project plans, day to day operations and generally in all decision-making processes.

Risk Management Framework

1. The Town Risk Management Framework has four key elements:
   a. Establish the context – define the area of responsibility in which the risks are to be identified. For the Town, this could be for operation risk (day to day operation of a department, or a special project such as development of a land bank), or for strategic risk (i.e. overall financial risks). The product of this step is a context paper to be used as the scoping document for the department's risk assessment.
   b. Assess risks – identify risks with the scope defined in the context paper. Then assess the ranking of the risk, by determining the likelihood of the risk event occurring on a scale of 1 to 5 and the consequences to the department and to the Town as a whole (again on a scale of 1 to 5). Derive the risk weighting by multiplying the likelihood and consequence. List controls in place to mitigate risk likelihood or impact

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and evaluate if more action is required. List potential future mitigations as well. The product of the risk assessment is a risk register to be maintained by the CAO.

    c. Treat risks – prioritize risks based on risk weighting. For each, determine if the risk is to be actively treated, monitored, or avoided. Prepare action plans for the risks to be actively treated and execute the plans.

    d. Monitor and review – periodically review the risk registers and adjust the lists of risks and their weightings as necessary; update controls and mitigations as treatment plans are executed.

Guiding Principles for Risk Tolerance

1. Throughout the Town, management sets boundaries to provide guidance to staff on acceptable limits of risk in their particular areas. Specific guidance and directives on ethics and values are found in the Towns Policy on Ethics and Code of Conduct. The Town's overall risk appetite and risk tolerance will be determined ty the Council.

Risk Tolerance

2. The Town will avoid risks in the following areas:
   a. For the Town to achieve its legislative responsibilities, it must remain a functioning and appropriately resourced organization. Any risk that significantly impacts the ability of the Town to remain a viable and effective organization and cannot be adequately managed to reduce its possible occurrence to the lowest level of probability, is unacceptable and is to be avoided.
   b. The Town adheres to the highest ethical standards in all its activities. It has no tolerance for illegal activities in its own operations or in its dealings with contractors.
   c. Those that impact the health and safety of its employees.

3. The Town will tolerate limited risk in the following areas:
   a. The Town has extremely limited tolerance for risks that may adversely affect the reputation of the Town.
   b. The Town exercises probity and good stewardship of its public resources. Risks that affect the soundness of financial management must be managed to ensure the effectiveness and long-term sustainability of the Town.
   c. The Town values accurate, available, timely and useful information. It has a low risk tolerance for anything that impacts its ability to obtain, store, manage, and report its information.
   d. The Town's ability to attract and retain high caliber staff has a critical impact on the ability of the Town to achieve its legislative responsibilities and must be assured.

4. The Town has developed a model that provides guidance when assessing risk to determine the prioritization and risk management strategies.

5. Risk management involves the Council, management and staff; everyone has a role to play.

Governance Roles

6. **Council:**
   a. Approves the Town's Risk Management Policy which includes establishing the acceptable risk tolerances.

   b. Provides oversight of the processes and controls in place to identify, manage and monitor risks and opportunities to the Town.
   c. Reviews summary risk reports on a scheduled basis as part of its agenda.
   d. Considers risk in its own decision-making process.

7. Safety Committee:
   a. Review the Town's Risk Management policy on an annual basis and recommended changes to the Council for approval.
   b. Seeks assurance that the processes and controls are in place to identify, manage and monitor the risks and opportunities of the Town.
   c. Receives internal and external risk management reporting (i.e. Towns risk profile, summary of risk reports/registers, etc.) and provides advise to the Council on the effectiveness of the Town's risk management processes and controls; and
   d. Provides guidance, to management, on the Town's risk management and assurance processes.

Administrative Roles

8. Chief Administrative Officer:
   a. Is responsible for leading, communicating and setting the tone for good risk management;
   b. Assigns risk management roles and responsibilities amongst administration;
   c. Ensures clear and open communications on risk tolerance levels;
   d. Ensures the reporting to the Audit and Finance Committee and the Council of complete and accurate information on current and emerging risks using both regular and special means and a variety of sources (audit reports, external reviews, etc.); and
   e. Ensures advice and assurance on the appropriateness of risk management processes and practices are provided.

9. Safety Officer:
   a. Facilitates and coordinates the Town's overall approach by facilitating the creation of corporate risk registers by department or project and then ensures regular review and updating of the registers is adhered to;
   b. Ensures that processes and controls within the Town's risk management framework are adhered to;
   c. Supports and advises all the Town's risk management participants of the Town's risk management approach and communications strategy;
   d. Provides training, tools and support to the Town;
   e. Prepares monitoring and summary risk reports to the CAO, Audit and Finance Committee, and Council;
   f. Identifies the principle risks to the Town;
   g. Reviews, scrutinizes, provides feedback and generally provide management perspective of the departments and project risk registers developed and maintained;
   h. Reviews and updates the Corporate risk register; and
   i. Ensures that the risks are managed, controlled or mitigated to the accepted tolerance levels and that those risk mitigation strategies are considered in the development of the annual budgets and resource allocation.

10. Staff:

a. Provides leadership and demonstrate accountability for risk management in their respective areas of responsibility;

b. Ensures processes and controls within the Town's framework are adhered to;

c. Identifies and assesses functional and corporate level risks. In addition, identify controls in place to minimize risk and potential mitigation strategies;

d. Clearly communicates risk tolerance information amongst staff and contractors so that expectations and limits are clear;

e. At regular staff meetings, reviews department risk registers and update as required, to ensure the is updating the department risk registers;

f. Participates in Town risk exercise and openly use and share risk information to assist in the integration of risk management strategies, practices and processes;

g. Stays informed on Council and the CAOs expectations and tolerances with respect to risk management;

h. Shares information about risk, including any new or emerging risks, with the; and

i. Considers and manages risk in their day to day work.

IMPLEMENTATION

1. This policy shall be posted on the website
2. Policy - New

Mayor _____

CAO _____