Winnipeg



Integrated Risk Management

"Building Bridges"

Audit Department

Leaders in building public trust in civic government

City Auditor's Message



When we started to think about launching a formal integrated risk management initiative in the City, we consulted with a number of organizations that had experience in implementing their own models. A consistent theme was that it would take "at least five years" to achieve real results. It's been about a year now and look how far we have come! Without using external resources, we have built a framework with a model, process and tools that followed two important principles: "keep it simple" and "make it relevant". Our strategy appears to have worked. Our model has generated a huge amount of interest from the public sector. I have been invited to share our story at venues across the country. And the Conference Board of Canada is soon to release a report on an international study conducted with Deloitte and Touche that cites the City of Winnipeg as one of nine public sector organizations to learn from in implementing successful risk management practices.

So what is all the fuss about? After all, integrated risk management is only a tool. Or is it? Based on our experience to date, I believe that it is much more than that. It can be a catalyst to transform an organization's culture. We have observed hundreds of managers and senior staff across the organization having vigorous discussions about risk. This should be no surprise – the real value in this process is in these conversations. While we have not forgotten our responsibility for managing the risks that threaten the achievement of our goals, we have started to recognize that risk management is also about seizing opportunities. And now, more than ever, it is the ability to innovate that defines successful organizations. From a corporate perspective, we have also seen the potential for benefits. We now have a consistent set of criteria against which to measure relative risk across service lines. And we have produced over seventy risk profiles that document the potential risks and opportunities that could affect the quality of our services. As we use this information to inform our business planning and budgeting process, we should begin to see a better alignment of risk, value and resources.

What does this mean for citizens? Transparency and accountability are important values for the City. Better risk management practices mean that managers can demonstrate due diligence in the decisions they make. And, while IRM is currently being used as an internal communication tool, in the future we hope to see results shared with Council and, ultimately, with citizens. As the City's business planning and performance reporting matures, we will be able to provide citizens with information that will allow them to understand how risk informed the choices made and how well risks accepted were managed. Citizens are used to making trade-offs in their own lives; with better information, we believe that they can help us to make choices and establish priorities. And they can hold us accountable for the results of our decisions.

City staff can be proud of the progress they have achieved to date. Integrated risk management has helped us to build bridges across the organization. In the future, we hope to use it as a tool to build bridges to our citizens.

Shannon Hunt, CGA, CFE
City Auditor



Acknowledgement

The Integrated Risk Management project team would like to thank all City staff who participated in the launch of this initiative. Directors, managers and staff across the organization took the time to review our model and tools during the development process and to participate actively in the business planning/risk assessment workshops. In particular, we would like to thank CAO Secretariat staff who were our partners in conducting the workshops and staff from Legal Services who both participated in the sessions and reviewed the results.

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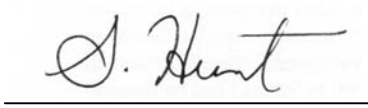
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Table of Contents

City Auditor's Message ..... **i**
Acknowledgement ..... **ii**
IRM Project Team ..... **ii**

Chapter 1: IRM—Making the case for change **1**
What is Integrated Risk Management (IRM)? 3
What created the need for IRM in government? 3
What do we mean by risk? 4
How can risk be managed? 4
What are the benefits of IRM? 5
The Value Proposition 5
How does IRM support good governance? 6
How does IRM help us to engage our stakeholders? 7
How is IRM linked to performance? 8
What are the "risks of risk management" in the public sector? 9
What are the critical success factors for an effective IRM? 10

Chapter 2: IRM—Building Bridges **11**
Why do we call our model "Building Bridges"? 13
How did we build organizational capacity? 14
What will a mature IRM look like? 15
How did we know that the culture was ready for IRM? 16
What is our risk management process? 17
What tools do we use for our Integrated Risk Management process? 18
How did we conduct our business planning workshops? 19
What were the results of the business planning workshops? 20
How did we build a Corporate Risk Profile? 21
How do we build on the success of our Integrated Risk Management initiative? 22
What is the Audit Department's role in Integrated Risk Management? 24

Chapter 3: IRM—Laying the foundation… **25**
The Risk Management Process 27
Risk Analysis and Evaluation Worksheet 28
Corporate Risk Framework 29
Impact Measurement Tool 30
Likelihood Measurement Tool 31
Risk Response Matrix 32
Risk Profile 33
Risk Action Plan 34

Chapter One

IRM: Making the case for change . . .

"Rapidly changing environments suggest that innovation needs to be a normal way of thinking for public service managers. Yet, the values of public service managers have been influenced by a tradition that emphasized caution, a tradition that limited innovation through equating risk with danger. Accordingly the issue of managing risk in the public service often became synonymous with avoiding risk, which also implied avoiding innovation. Managers need to develop the ability to view tensions among innovation, values and risk, not as conflicts to be avoided, but as opportunities to be managed."

Treasury Board of Canada Secretariat

What is Integrated Risk Management (IRM)?

Integrated Risk Management (IRM) is a continuous, proactive and systematic process to understand, manage and communicate risk from an organization-wide perspective. IRM is not a separate process, but is integrated into existing planning, operational and reporting processes. IRM should become embedded in the organization's corporate strategy and help to shape its culture.

Risk management is critical to effective decision-making. As part of setting priorities and objectives, organizations need to understand what could happen to affect the achievement of their goals and how they will deal with such an eventuality should it arise. IRM provides a framework in which to identify and manage the risks that are within the organization's control and position itself to better respond to those risks that are beyond its control. It supports good corporate governance by providing decision-makers with information needed to make more strategic choices including ensuring that resources are allocated effectively to high risk areas. IRM also plays an important role in enhancing communication—both within the organization and to external stakeholders. In the City of Winnipeg, we see IRM as a tool to build bridges—between services, between departments, between the Administration and Council and between the City and our citizens.

"No one is questioning whether or not government should practice good risk management . . . that is how public sector organizations conduct their business."

Risk Management: Moving the Framework to Implementation
Conference Board of Canada

What created the need for IRM in government?

Both internal and external factors have created pressure for more effective management of risk:

- The increasing pace of change, including greater interconnectedness, leaves no choice but to manage risks that may occur as a result of rapidly changing technology and new ways of doing business.
- Resource restraint has resulted in smaller government that still must meet the high expectations of the public. Responsible management of risk allows the tradeoff of safe but cumbersome processes for untried but potentially more effective innovation.
- Growing openness, transparency and accountability have generated pressures for better performance reporting, defendable decision-making and being better prepared for the scrutiny of stakeholders.
- Major financial losses in the private sector have led to a focus on issues of organizational ethics, governance and accounting practice, which are also being reviewed by governments.
- Significant and continual organizational change has led to pressure on human resources, increased reliance on systems that are unproven, and more trust in outside parties to deliver services.

"The accountability of local authorities to their citizens is a fundamental tenet of good governance. Accountability and transparency are essential to understanding who benefits from decisions and actions."

Eight Principles of a New Deal for Canadian Cities (Winnipeg)

What do we mean by risk?

A ship in the harbour is safe, but that is not what ships are made for.

Admiral Grace Hopper

Although there are differing views about the best definition of risk, most people would agree that the "uncertainty surrounding future events" is central to the definition of risk. Therefore, we have defined risk as *a future event that may impact the achievement of an organization's objectives.* Because future impacts can be positive or negative, risks can take the form of either threats that would prevent us from achieving our objectives or opportunities that would enhance our ability to achieve our objectives.

Risk is measured by the likelihood that the risk will occur and the severity of the impact if a risk is realized. The amount of risk that will be tolerated varies from organization to organization, individual to individual, and time to time.

How can risk be managed?

Risk is a choice, not a fate.

Peter L. Bernstein

We all routinely deal with risk in our personal lives and at work. And, in many situations, an informal approach is quite acceptable. However, strategic risk management requires us to go beyond intuitive and implicit decisions about risk; it requires active management in a systematic and integrated manner. Risk management is more than managing potentially adverse consequences (impacts); it is also about exploiting the benefits to be gained. The nature of innovation is such that it cannot exist without risk taking. In today's environment, failure to seize an opportunity can be a very real risk.

Risks can be managed by changing either the nature of the impacts or the likelihood that a consequence will occur. This involves actively managing the source of the risk. We do not manage the risk itself; we manage the activities that create the risk. For the public sector, an overriding concern in risk management is the duty of care to the public—risks should be managed with the public interest in mind.

IRM means making decisions with "eyes wide open."

What are the benefits of IRM?

Integrated risk management has much to offer both organizational managers and our citizens. Over time, we would expect to see the following:

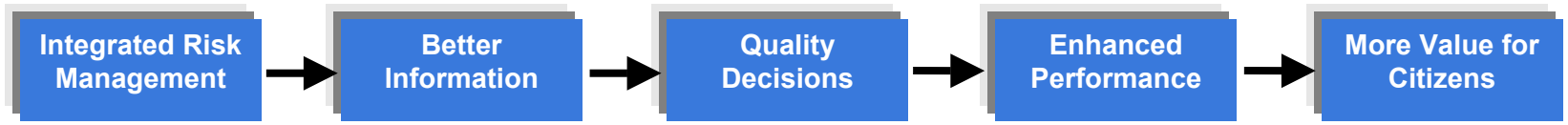
- A common language to discuss risk matters.
- Fewer surprises to derail business objectives.
- A consistent and disciplined process for assessing and managing risk, making decisions strategically, and laying the foundation for informed policy decisions.
- Resources more closely aligned with real priorities and directed to higher risk areas.
- More ability for managers to demonstrate due diligence in decisions made.
- Use as a citizen engagement tool to provide input and feedback into the priority setting process.
- Enhanced trust and confidence in our public institutions.
- A risk-smart workforce that encourages innovation and responsible risk-taking while respecting our fiduciary responsibilities and protecting the public interest.

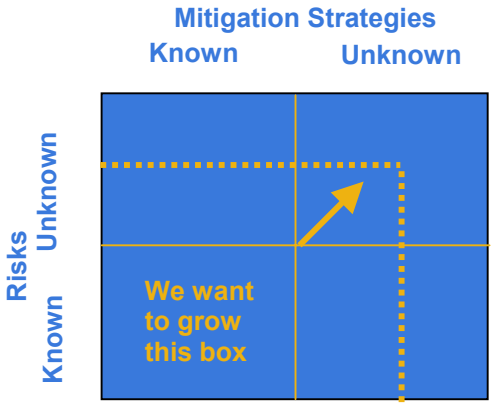
We don't expect to harvest all of the benefits from IRM immediately. We recognize that it will take time and experience for the organization to achieve optimal performance.

". . . Risk-taking is important to modern government and an essential element of achieving the government's policy goals in a world of constrained resources. . ."

Report of the Independent Panel on Modern Comptrollership in the Government of Canada

The Value Proposition





IRM is about enhancing the quality of information for decision-makers.

How does IRM support good governance?

Three essential principles define good corporate governance: integrity, openness and accountability. An integrated risk management framework serves to support good governance by demonstrating that risks that may impact business objectives are explicitly understood and that investments in risk management measures are optimally balanced against stakeholder interests. Effective integrated risk management ensures that significant risk areas associated with Council priorities and City services are identified, assessed and communicated, and that appropriate measures are in place to address both unfavourable impacts and to capture the benefits from opportunities. The key accountability document is the *Corporate Plan and Budget*, which should describe, for each primary service, the key service goals, links to the City's strategic objectives (captured in *Plan Winnipeg*) and the risks that may impact the achievement of the planned goals.

To ensure accountability, the governing body should require periodic reports on the progress of the plan and the status of the key risks identified in the plan. Communication of risks and strategies serve the public interest by providing transparency to stakeholders. Greater transparency will help to rebuild the trust in government that has eroded over the years as a result of the "closed door" decisions of the past. Greater transparency and a greater say in how our City is run and the services it delivers is no longer an option—our citizens expect nothing less.

The governing body (through Audit Committee) can provide oversight with respect to IRM by

- Knowing the extent to which the Administration has established an effective IRM model.
- Being aware of and concurring with the evaluation criteria established to describe and communicate the organization's risk tolerance level.
- Reviewing the *Corporate Risk Profile* and ensuring that all corporate objectives and priorities have been considered in its development.
- Being apprised of risk management strategies and determining whether management is responding appropriately to mitigate significant threats and to capitalize on key opportunities.

How does IRM help us to engage our stakeholders?

The City's commitment to improved transparency and openness will require the City to more formally and regularly consult with its stakeholders. Stakeholders may include employees, managers, politicians, the public, special interest groups, unions, the business community and other government organizations. This approach was recently demonstrated through the broad round of public consultations that were held across the City to solicit feedback on the proposed "New Deal".

Research has concluded that governments have traditionally dealt poorly with the public in the areas of education and consultation on issues of risk management. It is also believed that governments have underestimated the ability of the public to be engaged in such discussions. People make tough decisions every day in their own lives and are able to accept trade-offs in the area of risk management where they realize that trade-offs must be made.

The emerging view is that there needs to be a formal communication strategy that brings administrators, politicians, the public and the media to the table to talk about risk in a common language and to involve the parties in discussions of relative costs and trade-offs. The goal is to have stakeholders see how budgets and plans are linked to risks, the choices that were made and why. We believe that an effective IRM can be a powerful citizen engagement tool in providing the information required to initiate such discussions.

"By sharing information, citizens will hold more reasonable expectations, can determine what steps the government took in its handling of a risk situation, and understand why those steps were taken."

Building Trust: A Foundation of Risk Management
Canadian Centre for Management Development

What citizens want

Affordable and effective public services

More say in what they pay

Accountability for results

What IRM can deliver

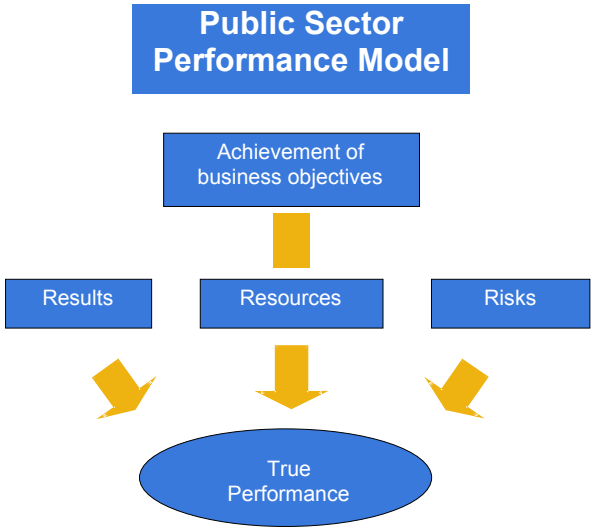
Risk-informed decisions yield better performance.

Citizens are engaged in determining priorities based on risk.

Risks and strategies are transparent.

"If public servants can consistently demonstrate that they are guided by the public interest, this track record will help to build credibility and maintain trust."

Building Trust: A Foundation of Risk Management
Canadian Centre for Management Development



How is IRM linked to performance?

In the past, with financial flexibility—more resources and investment dollars—there was an ability to cushion public services from risk or at least have resources available to deal with the impacts of risk. The predominant philosophy at the time was to try to "eliminate" risk. As a result, governments, in many cases, were "over-controlling" the delivery of services, which resulted in higher costs.

But as financial flexibility decreased, traditional controls were stripped out of the system and there was a need to change the way we do things in the public sector. And there was less of a cushion to fall back on if things went off track. As a result, a new model of performance measurement has emerged in the public sector. Performance measurement has evolved from the traditional focus on resources budgeted and consumed to reporting on results, first in terms of outputs and, more recently, in terms of outcomes achieved. At the same time, since a common assumption is that the status quo is no longer affordable, all levels of government have started to explore alternate ways of delivering services—for example, using public/private partnerships or special operating agencies. And these are fruitful explorations.

But innovation creates new risks. So how do we report on the relative success or failure of new service delivery models versus more traditional mechanisms? To report on "true performance", we believe that the amount of risk assumed must be factored into the equation. Citizens expect to hold public servants accountable for the decisions they have made. Good public performance reporting should put results into context by explaining how risk influenced choices made and by relating results achieved to risks accepted. Over time, we would expect to be able to have a more sophisticated dialogue with our citizens on the relationship between risk and reward in the pursuit of value.

Good risk management has the potential to focus the organization on performance improvement.

What are the "risks of risk management" in the public sector?

Implementing IRM in the public sector context poses some unique challenges. For this reason, some argue that risk management should be implemented differently in the public sector than in the private sector. One of the key challenges is how to deal with the "fear of risk" phenomenon. Some within the public service are reluctant to move forward on risk management for fear of public or political exposure or embarrassment. To date governments have attempted to hide their risks and mistakes because of the criticism in the media for even the smallest of incidents. Yet, studies have indicated that public trust is decreased where risks are covered up, warning signs ignored, and where the bureaucracy impeded action.

We believe that the best way to deal with transparency is to build it into the design of the framework from the start. That is, assume that the information will be made public and plan accordingly. In developing our framework, we have taken some explicit actions to deal with the concerns about transparency. Working with our Legal Services Department, we have ensured that we have a common framework for evaluation and that all significant risks assessed are accompanied by risk action plans and strategies. Our lawyers also both participated in our process and reviewed the output from a potential liability perspective.

We believe that the current adversarial approach to public debate and criticism will only change as stakeholders become more confident in government's ability to take responsible risks. And that will take time.

"Enterprise information is like a tree falling in the forest unheard unless it is communicated."

7th Annual Global CEO Survey
Managing Risk
PricewaterhouseCoopers

"The old saying 'risk is risky' in government needs to be replaced by a new one that has been proven only too often to be true: 'Disregarding risk is even riskier'."

Risk Management: Moving the Framework to Implementation
Conference Board of Canada

What are the critical success factors for an effective IRM?

"The more we invest in the management of risk, the more likely it is that employees will be equipped to, and be capable of, turning risks into opportunities."

Department of Indian Affairs and Northern Development

The literature points to several "best practices" that can enhance an organization's ability to build and sustain an effective integrated risk management model. These include the following:

A risk management culture

Employees who have a common understanding of an organization's goals and values and who take responsibility for their actions can build a culture that says, "Risk management is everyone's business." Corporate education should be structured to promote risk-awareness and to develop the ability to implement effective risk management practices at all levels. The IRM framework, policy, tools and process should be customized to facilitate organizational learning.

Sustained leadership support

Active and on-going involvement by executives and senior managers in promoting and practicing risk management is essential. Leaders (and governing bodies) must want to know the risks and what the impacts could be. And, to be sustainable, accountability for risk management at all levels, including corporate oversight, must be clearly defined and embedded in the culture.

Communication and consultation

Communication of risk and consultation with interested parties are essential to supporting a sound risk management regime. Communication must occur at all stages of the risk management process and at all levels of the organization. It is not whether to engage stakeholders, but who and how. The more extensive the involvement with stakeholders is, the more important it is that they provide substantive input to risk identification, prioritization and mitigation.

Consideration of risks as a critical aspect of decision-making

In order to sustain IRM, it must be seen to add value to the organization. Managers must be given a clear message that risk information will be used in the strategic planning and budgeting processes that drive the allocation of resources. There is an expectation that risk management is a consideration in the evaluation of the performance of both organizational units and individuals. And operational decisions should be made in the context of identified threats and opportunities. Experience tells us that a sure way to stall an IRM initiative is not to use, or not to be seen to use, risk information in decision-making.

Chapter Two

IRM: Building Bridges . . .

The City of Winnipeg story is not a new one. Nor is our experience unique. What is remarkable, however, is the manner is which managers, right across the organization, embraced the integrated risk management concept and worked together, over a very short period of time, to bring the framework to life. And while we did our research and consulted with others who are experienced in IRM, we used no incremental resources in our implementation. Our model is very much home grown. We built a model that worked for us. Here, then, is our story . . .

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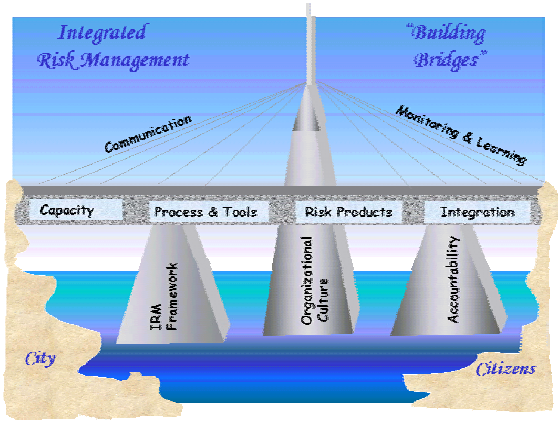
Why do we call our model "Building Bridges"?

We believe that the organization's culture both informs the IRM model and is changed by it. Implementation of an IRM framework is very much an iterative process. A good model and committed people are fundamental components of an effective IRM.

Appropriate to our environment, we are calling our initiative: *Integrated Risk Management - Building Bridges.* We view IRM as a tool to provide linkages—between services, between departments, between the Administration and Council and, ultimately, between the City and our Citizens.

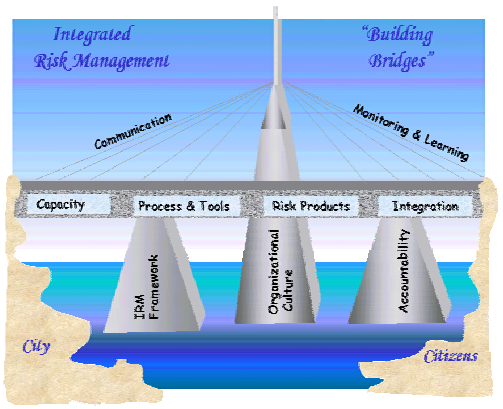
Our model was built upon three pillars: organizational culture, a sound framework and embedded accountability. The process we developed provides the City with a path to follow, a common destination, and consistency in application. Our intent is to provide a level playing field whereby the organization can make decisions about the wide range of risks that exist across the organization using consistent evaluation criteria.

The supports that hold our model together are communication and on-going monitoring and learning. These components are not only essential for integration and long-term sustainability, they promote our corporate values of transparency and accountability.



Integrated Risk Management Model "Building Bridges"

Effective Integrated Risk Management builds bridges.



Building the model: Organizational Culture

How did we build organizational capacity?

Integrated Risk Management (IRM) was not new to the City when we formally launched the initiative in early 2003. In fact, we introduced the concept to the Audit Committee for the first time in 1998. While Audit Committee members endorsed the concept, the City had just undergone a major reorganization and, rather than commence a formal initiative at that time, we agreed to work behind the scenes to build organizational readiness. We launched an Integrated Risk and Control Working Group of corporate managers who had an interest in matters of risk management and controllership. One of the important principles developed by the group was that the City should have a standard corporate approach to concepts of risk and control when dealing with operational service groups, including the use of consistent terminology. Members shared information and research and partnered on major projects such as the Provencher Bridge Risk Assessment and conducting a pilot of a draft Corporate Risk Framework to improve business planning.

Several organizational challenges had to be taken into account in the planning of the implementation of an IRM initiative. Significant cultural barriers had to be overcome. The City delivers an extremely diverse set of services, which had resulted in distinct cultures being established within departments, and there was a tendency for managers to think in silos. The concept of an "enterprise" perspective of the organization was not entrenched. There was also an aversion to even using the word "risk" which was viewed only in the negative context.

With the advent of formal business planning in 1998, the City's managers were exposed to the concept of risk through the requirement to conduct a SWOT (strength, weakness, opportunity, threat) analysis as an element of the business plan. Managers developed their ability to identify and manage risk more formally. But, while the SWOT analysis was a good tool for identifying the risks related to the delivery of services, it failed to provide any additional information as to the relative likelihood of occurrence and the potential impact of an identified risk. So it was not as useful as a corporate tool. A more robust and disciplined process was needed.

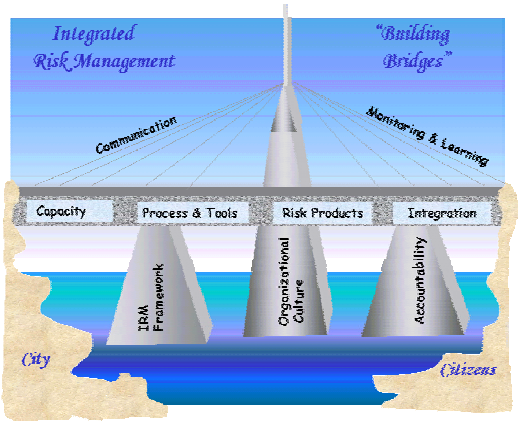
By the end of 2002, the City had made great strides in terms of its corporate management and business processes. City administrative leaders were well aware of the severe challenges facing the organization. Resources had been stretched to the limit as a result of a successful multi-year campaign to improve the financial outlook of the City. Winnipeg enjoyed an enhanced credit rating and a reputation for low-cost administration. As a result of restraint initiatives, debt had been significantly reduced, property taxes had been decreased and staff levels were considerably lower. But this direction was not sustainable. Services had been cut to the bone and tough choices would have to be made by Council. And for Councillors to make these tough decisions, the CAO agreed that we needed better information. The Audit Department suggested that integrated risk management might be a tool to assist in providing that information.

What will a mature IRM look like?

In February 2003, the CAO and Audit Committee endorsed the Audit Department's Integrated Risk Management Initiative. It was understood that this would be a long-term undertaking and would be developed in phases. In its mature state, we expect to see IRM fulfill a vision that includes the following elements:

- The City will have a clear and cohesive framework, policy, process and tools as well as risk experts trained to support managers in effectively risk managing.
- Risk management will be built into existing governance and organizational structures as well as planning and operational processes.
- Business and corporate plans will communicate goals, risks and the basis for strategies proposed.
- Performance reports will communicate progress against plans, including the risks assumed and managed to achieve the goals.
- The City will have a "risk smart" culture with appropriate competencies to integrate risk management into both operational activities and decision-making processes.
- Our organization will encourage innovation and responsible risk taking while ensuring legitimate precautions are taken to ensure due diligence, protect the public interest, and maintain public trust.
- There will be on-going communication about risk.

In late 2002, the City had undergone a review of the business planning process. The time was optimal, therefore, to incorporate risk management strategies formally into the planning process. As a first deliverable for IRM, the CAO asked the Audit Department to work with the CAO Secretariat to develop tools and a process for incorporating formal risk assessments and action plans into the departmental business plans and to develop a *Corporate Risk Profile* for inclusion in the *Corporate Plan and Budget.*

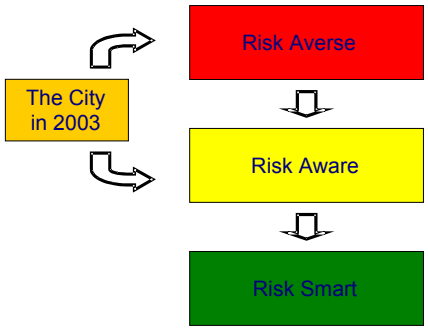


Building the model: IRM Framework

IRM is not just a tool; it's a state of mind.

How did we know that the culture was ready for IRM?

Where was our culture in 2003



"A "risk-smart" organization optimizes responsible risk-taking, encourages continuous improvement, and involves stakeholders in risk management. It balances innovation with due diligence in protecting the public interest. Risk management is built into existing processes where every manager is a risk manager. It is seen as an integral part of good management practices. And there is on-going communication about risk at all levels of the organization."

Treasury Board of Canada Secretariat

But were we ready as an organization to move forward? Where was our culture in 2003? We relied on intelligence from several sources . . .

- In the process of piloting a draft *Corporate Risk Framework*, members of the working group had surveyed both Controllers across the organization and the Senior Management Team (the CAO, CFO and department heads) about the readiness of the City to accept IRM. Both groups agreed that risk management is integral to a manager's job. And both thought that current risk management practices were "somewhat effective" with project level risk assessment being more advanced. However, they also believed that risk management needed to be more strategic and, in its current state, was more reactive than proactive. But what we found compelling, given the severe constraints facing the City, was that the majority of senior managers suggested that they, as a group, did not have a consistent understanding of the key risks and priorities facing the City. We thought, and certainly the CAO agreed, that this was simply unacceptable in going forward to a new Council charged with making tough choices among competing priorities.

- In conducting our audits, we had shifted over time to using more modern language around risk and control. In the programs we reviewed, we provided our opinions in the context of "the extent to which risks had been identified and appropriately managed". And we introduced a formal control model to frame our recommendations. We published a series of audit reports that had demonstrated clearly that a formal risk assessment process might have prevented or mitigated some disturbing impacts. We also had a fair amount of experience in conducting risk and control self-assessments as part of our auditing process. Managers were becoming familiar with discussing their operations with us in these terms and working together to strengthen the control environment.

- And, finally, we had the comments of the Corporate Leadership Trainer, who suggested that he would characterize City managers, in general, as "risk averse". Clearly, the group did not believe that even the perception of managers in this light was acceptable in the current environment.

While the Senior Management Team recognized that we had challenges to overcome, the consensus was that we had the necessary foundation upon which to build a more robust approach to risk management.

What is our risk management process?

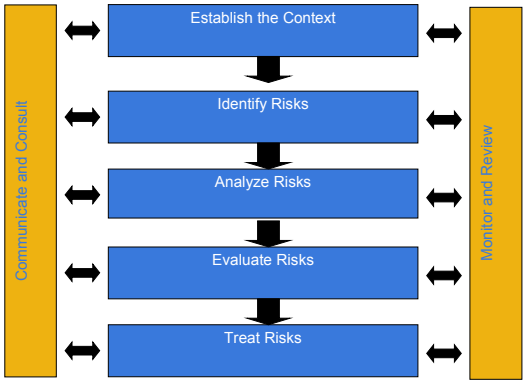
The risk management process that we use is based on the Australian model. While there are many different models in use today, all risk management processes are fundamentally the same. Furthermore, the process can be used at any level of the organization; it is equally appropriate for project, operational and strategic management. In brief, the risk management process includes the following steps:

- **Establish the context:** Risks must be determined in the context of specific goals or objectives.
- **Identify risks:** Threats that can impede or opportunities that can enhance the achievement of business objectives are identified.
- **Analyze risk:** Risks are rated in terms of the likelihood of occurrence and the potential impact if realized. Current risk management strategies (controls) are taken into account in the analysis.
- **Evaluate risk:** Based on the combined ratings of likelihood and impact, the relative priority of the risk is determined. Relativity is based upon established criteria that, taken together, describe the risk tolerance level of the organization and establish the level of decision-maker who should be included in approving and monitoring risk management strategies.
- **Treat risks:** A risk management plan is developed to manage the risks identified. In general, risks can be treated in one of three ways: avoid the risk, transfer the risk or control the risk.

Communication introduces transparency into the process and enriches the results. Monitoring and review ensures that risk assessments remain current and that appropriate oversight occurs to close the accountability loop.

A more detailed description of the risk management process can be found in the final chapter of this report.

The Risk Management Process



IRM Tools

- **Corporate risk framework:** Groups sources of risk into eight categories.
- **Likelihood Measurement tool:** Estimates the likelihood that a risk will occur, given the existing controls.
- **Impact measurement tool:** Identifies the potential impacts of a risk, given the existing controls.
- **Risk response matrix:** Combines likelihood and impact ratings to determine the risk ranking and the appropriate level of decision maker to oversee the risk management process.
- **Risk profile:** Portrays a snapshot of the risks (threats and opportunities) associated with the objectives of the business unit.
- **Risk action plans:** Documents risk management strategies and actions to be taken, the resources to be dedicated, and the individual accountabilities for treating a risk.

What tools do we use for our Integrated Risk Management process?

At the onset of this project, we began by conducting research on best practices, essentially determining who were the leaders in the field of risk management. Our research included an extensive literature search and attendance at risk management courses and conferences. Our model was informed by work that had already been done at the federal government level and in Australia and New Zealand. We also consulted with other municipalities, such as Edmonton, that have started their own projects. As part of our research, we evaluated the risk models and risk management services offered by the major accounting firms but found their models to be more complex and better suited to private enterprise. Using aspects of the different models we reviewed, we then proceeded to customize a model to our unique environment. We followed two key best practices: "keep it simple" and "make it relevant to the user".

Once we agreed on a model, we had to develop the necessary tools to support the model. We built our tools to reflect our own corporate culture and the unique set of circumstances of being a municipal entity with a very diverse set of services to deliver to the public. We developed the tools using the same axiom of "keeping it simple", making a conscious decision to start small and build more if necessary. We believed that this strategy was critical to the early acceptance of the IRM concept and process by the Audit Committee, senior administration and departmental management. Once the draft tools had been developed, we consulted with the CAO Secretariat, Legal Services, the Corporate Finance Department and the Senior Management Team regarding the appropriateness of the tools. We revised the tools to incorporate feedback from these groups.

Samples of the tools and a detailed description of their use can be found in the final chapter of this report.

Two principles: Keep it simple. Make it relevant.

How did we conduct our business planning workshops?

To provide the risk assessments requested by the CAO, we offered to conduct half-day workshops for each department. It was our belief that using a common methodology and facilitator would ensure consistency of approach and product. The objective for the workshops was to identify and assess the more significant service risks that might impact the achievement of business objectives. A representative of the CAO Secretariat attended to update managers on the status of business planning and the relationship of the risk assessment to other components of the business plan. For the workshop, we requested the participation of the director, managers and key professional advisors (Human Resources, Finance, Information Technology, Legal, and Communications).

To prepare managers for the workshop, we first attended a regularly scheduled department meeting to present the concept and overview of the process. To achieve the optimum benefit from the workshops, we emphasized that participants had to be focused. We worked with one representative from each department to refine a manageable list of business objectives associated with each service grouping under review. The workshops for internal service and corporate departments were held last to enable these departments to review risks identified across the public service departments with respect to their areas of accountability. The intent for these departments was to focus their session on how to provide corporate leadership in managing those risks.

At the request of the new Chief Administrative Officer, we also held a training session with corporate leaders and staff representatives from the political level so that they would be familiar with the process, its objectives and methodology.



Participants engaged in a business planning workshop.

Workshop statistics

- **All departments**
- **20 workshops**
- **362 senior staff**
- **49 service groupings**
- **79 risk profiles**

Participants rated the effectiveness of the workshops at

4.25 out of 5

Participants said . . .

- *"The workshop provided the opportunity to discuss risks within the group. There isn't time for such discussions within the normal working routine."*
- *"Taking time to deal with all the (significant) risks simultaneously helps to put them in perspective."*
- *"Items came up that I hadn't expected."*
- *"I found this workshop very effective and will be helpful when writing the remaining parts of the business plan."*
- *"The roundtable discussions of the risks and impacts gave me other points of view."*
- *"Linking risks with business plan objectives was important."*
- *"Very informative, structured and thought provoking process."*
- *"Provided opportunity for focused discussion of threats seen by one member but not previously recognized/acknowledged by others."*
- *"Having an Audit facilitator greatly contributed to the learning and effectiveness of the group."*
- *"The staff from Audit were well prepared, paid attention and changed my opinion of bean counters."*

What were the results of the business planning workshops?

Without a doubt, the most significant benefit from the workshops was the organizational learning that resulted from the conversations that emerged among participants. We were very impressed with the enthusiastic participation of managers and staff across the organization. As the comments on the left indicate, participants "got it". For some departments, this was the first time that managers formally discussed risk. For other departments, well-defined project level risk assessment practices were in place, but managers had not, in the past, had the opportunity to discuss risks from a strategic perspective. It was also the first time, in some cases, that managers across divisions shared their view of the major risks that crossed service lines. There is no doubt that the workshops facilitated communication and provided a focus for discussions.

We were interested in observing participants as they began to view risk, not just in the traditional negative sense, but also as potential opportunities to enhance the achievement of their goals. They also gained a broader view of the sources of risk (beyond financial) and the potential impacts of risk, which are essential components to understand and manage risk effectively.

For many departments, a significant spin-off benefit was the clarification of business objectives. In preparing for the workshops, departments had to provide a short list of the most significant goals associated with each of the key service groupings under review. While this improved the quality of the session and the product, it also had more far-reaching benefits for the business plan as a whole. Departments were better able to articulate their goals, priorities and strategies. And plans from different departments were more comparable, so that there was a level playing field for resource allocation requests. And they clearly saw the benefit of the process in demonstrating due diligence in their decisions.

The end product of the workshop was a risk profile for each service grouping reviewed. The coverage was very broad; in the end, all departments participated, including most of the managers in the organization, and 79 risk profiles were produced. Managers were left with the responsibility of developing risk action plans for the most significant risks associated with their service grouping.

The risk profiles and action plans were submitted to the CAO Secretariat as part of the *Corporate Plan and Budget* submissions. The profiles were also shared with the Corporate Finance Department whose staff are responsible for reviewing budget submissions. This distribution provided the organization with a significant amount of new information for planning purposes.

As objective observers of the process, we have already seen clear results in the improvement of business plans prepared by those departments that fully embraced the concept. In these plans, it was possible to trace business plan strategies directly to the threats and opportunities identified in the risk profiles. And we found that the quality of action plans was superior and more focused than in previous documents prepared by the same group.

How did we build a Corporate Risk Profile?

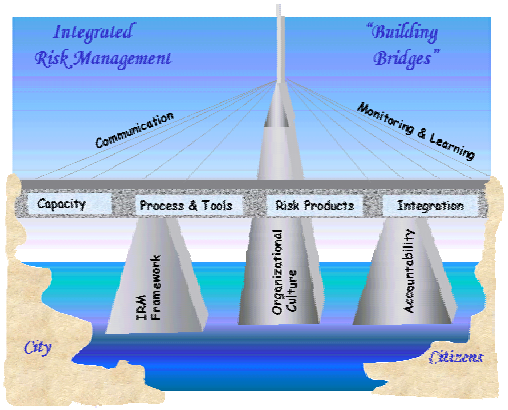


The Corporate Risk Profile portrays risks (threats and opportunities) in the context of the organization's mandate, objectives and available resources. The intention behind the development of a corporate profile is to inform the corporate planning and budgeting process and ensure that the high-level strategies captured in the *Corporate Plan and Budget* address the most significant challenges and opportunities facing the City. We would also expect to see resources aligned with the higher risk areas identified.

Subsequent to the completion of the business planning workshops, we worked with the CAO Secretariat to analyze and aggregate the risks across departments and developed a listing of the most significant risks associated with the service groupings. We worked with the Secretariat and the departments to ensure that we had clear risk descriptions for each risk. In many cases, very similar risks emerged, and it was clear that corporate involvement would be required to address the challenges identified. Legal Services also reviewed the risks from a potential liability perspective.

When these tasks had been completed, we facilitated a Senior Management Team workshop to build the *Corporate Risk Profile*. At the workshop, we presented approximately 30 risks for review, with a detailed description of each risk. With this information as a starting point, the team used automated voting technology to rate each risk, relative to key corporate objectives distilled from *Plan Winnipeg* and *Council Priorities* by the CAO Secretariat. The risks considered to be "critical" or "high" by the Senior Management Team were incorporated into the final *Corporate Risk Profile*.

In reviewing the session, we have suggested that the results be used as a starting point for further conversations. It was interesting to note some divergence of opinion in the evaluation of certain risks among members of the Senior Management Team and between this group and the departments. Again, we believe that exploring the different perspectives on risk can provide value in clarifying priorities for the organization as a whole. It should also help the Administration to develop a common message for communicating with Council and with citizens. We are currently working with the CAO Secretariat to determine how the risk information might be used in developing the *Corporate Plan and Budget*.



Building the model: Accountability

How do we build on the success of our Integrated Risk Management initiative?

We are pleased to report that the launching of the IRM initiative has surpassed our expectations. We were very impressed with the enthusiastic support and participation of executives, managers and staff across the organization in the IRM process. We have established a good foundation, built bridges across our service lines, and produced some early products that are very good. The quality of our framework and the success of our launch have seen the City emerge as a leader in integrated risk management in the public sector. We are very pleased with the progress that we have achieved to date and commend the organization on this initiative. But to build on this success, and to ensure that we have a sustainable framework, there are additional steps that we believe the City should take. These include the following:

Sustained leadership

The endorsement of the IRM initiative by Audit Committee, the CAO and the Senior Management Team has been a key factor in its successful launch. A great deal of momentum has been created across the organization. We believe that the City should capitalize on this. Managers and staff will be looking at how corporate leaders use the information in making decisions and holding individuals accountable. The real value created by the workshops and the risk profiles that were developed is in the conversations among people. There was often a divergence of views about relative risks that emerged in the workshops. Exploring the reason behind the different views and coming to consensus about key risks and priorities is an important next step.

Formalizing the framework

Through the workshops, we witnessed managers and staff embrace the IRM concept. We also had an opportunity to test our methodology, tools and process. In the next stage, it is important to formalize the framework by developing a policy and/or directive that clearly states the expectations for the identification and management of risk in the organization. Evaluation of performance should take the effectiveness of risk management strategies into account. We should also consider the development of a workbook and formal training course to facilitate risk management as an on-going process and introduce IRM to more junior staff and new managers. At some point, it may be worthwhile to consider the benefits of automating the process.

Broader communication and consultation

Up to this point, IRM has focused on internal communication within the Administration. And it has been very successful in engaging staff in the process. But IRM was intended to be a tool to provide information to the governing body. This year, departments took an important first step in submitting risk profiles with their business plan submissions. This information was available to Corporate Finance in developing the corporate budget. We are now working with the CAO Secretariat to determine how information gathered in developing the *Corporate Risk Profile* might be used to finalize the *Corporate Plan and Budget*. In the future, we would expect to see risk profiles presented to the governing body to inform the decision-making process at the political level. And, as we improve our performance reporting in the City, we would like to see assessment of the management of risk included. Ultimately, we believe that the public should be engaged, both proactively in providing their perspectives on risks and opportunities associated with public services and in terms of evaluating performance in the context of risk decisions made.

"Information is the currency of democracy."

Thomas Jefferson

Transferring accountability

While we were pleased to be able to provide assistance to the Administration in launching the initiative, Audit cannot retain on-going responsibility for IRM. There needs to be a corporate leader within the Administration who can provide oversight on an on-going basis. For many organizations, a Corporate Risk Officer position is created with responsibilities in this regard. While we appreciate that budget constraints may make a dedicated position impractical at this time, we would suggest that a position within the CAO Secretariat begin to assume responsibility for some of the associated functions. This implies being able to provide guidance to departments on using the framework and ensuring that formal risk assessments accompany budget requests, planning submissions and feasibility studies for major projects. It also means monitoring progress made on risk action plans associated with critical and high risks identified through the business planning process. While we are happy to be involved in the transition and recognize that this may take some time, over the longer term, Audit should focus on providing independent and objective assurance on the effectiveness of the risk management process and strategies.

You cannot discover new oceans until you have the courage to lose sight of the shore….

What is the Audit Department's role in Integrated Risk Management?

"Our participation in the integrated risk management initiative, both as consultants to management and as providers of assurance, presents us with an opportunity to promote organizational learning—a role that I see as fundamental for the modern auditor."

Shannon Hunt
City Auditor

The Audit Department has been involved from the outset in launching the IRM initiative and, at the request of the former Chief Administrative Officer, led the first phase of the implementation. This has been a labour intensive exercise for a small department and, since the City Auditor's primary mandate is to report to Council and the public on the performance of the Administration, it is appropriate to ask, "What's in it for Auditors?"

As Auditors, we see ourselves as primarily in the information business. We believe that improving the quality of information for decision-makers will lead to better performance and more value for our citizens. Integrated risk management can improve the quality of information by informing decision-makers about the risks that may impede and the opportunities that may enhance the achievement of the organization's goals. And this information will provide our citizens with a broader base from which to hold government accountable for its activities.

While launching the initiative caused us to step outside of our traditional assurance role, we believe that our participation was fundamental in ensuring the integrity of the process and the products. While management clearly owns the risk profiles developed, we were able to provide a consistent methodology and evaluation platform, offer facilitation expertise, and perform an objective challenge function. Furthermore, while this is first and foremost a management initiative, the risk profiles will provide us with useful information to ensure alignment of our work with corporate priorities. With limited resources, we need to be certain that we are focused on the City's highest risk areas. In conjunction with opinions expressed by Audit Committee, an audit plan will be developed, using this information.

Ultimately, Chief Auditors are being required to provide their audit committees with an overview of the "state of risk and control" in their organizations. The implementation of IRM enables the City Auditor to provide assurance to the Audit Committee and Council that an effective risk management process is in place, that significant business risks have been identified, and that appropriate plans have been developed to manage threats and capitalize on opportunities. Through the audit process, we provide additional assurance that risk management strategies and controls are working as intended.

Chapter Three

IRM: Laying the foundation…

"Early on, we recognized that all the theory in the world was not going to help translate the IRM concept into action. We needed a process that was intuitive and easy to follow, tools that were practical and reflected our unique culture, and products that would clearly present risk information and facilitate the development of effective risk management strategies."

Jason Egert
IRM Project Leader

Brian Whiteside
Deputy City Auditor

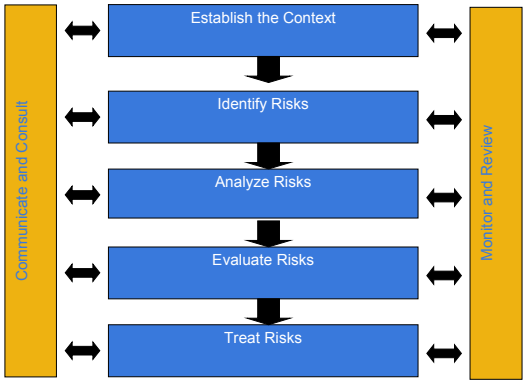
The Risk Management Process

The Risk Management Process that we use is based on the Australian model. While there many different models, all risk management processes are fundamentally the same. A clear link must exist between the risk, context (including organizational goals) and risk identification, analysis and treatment. The basic steps of the risk management process are discussed below.

- The **context** must be established to define the parameters within which risks are to be managed and to provide guidance for risk management decisions. Risks do not exist in a vacuum. There is a need to clearly define business objectives against which risks will be assessed.
- Risks are **identified**. What can happen to obstruct or enhance the achievement of our business objectives? Why and how?
- Risks are then **analyzed** in terms of the likelihood of the risk occurring, given current controls, and the impact if the risk did occur.
- Risks are **evaluated**. The level of risk is determined using the composite of the likelihood and impact scores. Risks can then be ranked in terms of relative priority.
- A decision is required to accept the current level of risk or to treat it to reduce the likelihood or impact of the risk. Generally, risk will be accepted if the likelihood and impact are within the organization's tolerance level, which is the level of risk that is acceptable to the organization's leaders and stakeholders. If risk is above the risk tolerance level, then a risk treatment plan must be established.
- Risk can be **treated** in three ways: The service can be restructured to **avoid** the risk; risk can be partially or completely **transferred** to a third party or insured to reduce the impact; or risk can be **mitigated** through controls to reduce the likelihood or impact. The treatment chosen should be directly related to the nature and significance of the risk.
- **Consultation and communication** is essential throughout this process.
- We also recognize that the level of risk is never going to be reduced to zero. We refer to the remaining risk as "residual risk." The challenge is to maintain residual risk at an acceptable level. The model demonstrates this through on-going **review and monitoring** to close the accountability loop.

This process can be replicated at all levels of risk management from the strategic to the project level.

The Risk Management Process

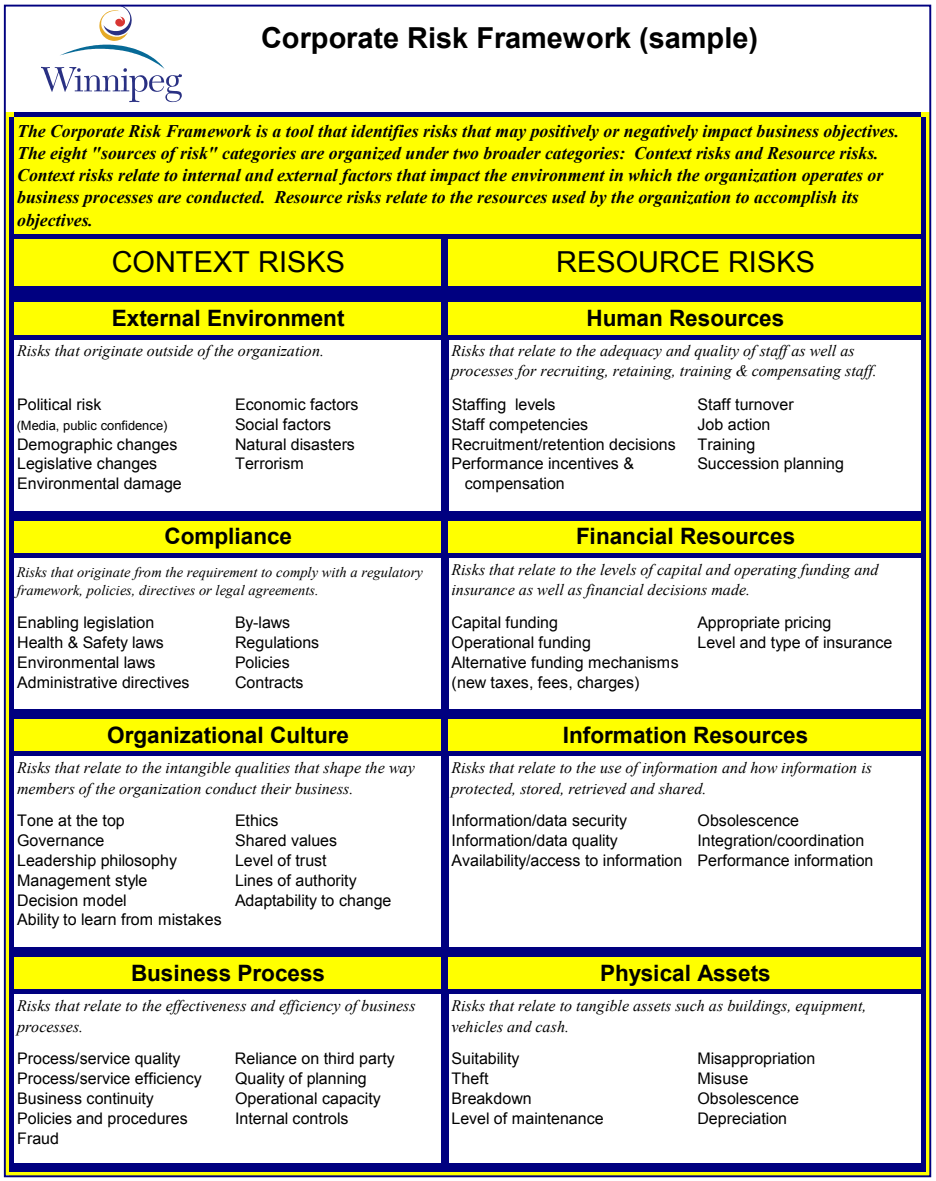


The Risk Analysis and Evaluation Worksheet

The purpose of the **Risk Analysis and Evaluation Worksheet** is to facilitate the documentation of the key risks along with sufficient information to adequately analyze and evaluate the risks. The worksheet is set up to follow the steps of the Risk Management Process and is instrumental in ensuring that all factors are considered when assessing the level of a risk. This information is also necessary to develop an appropriate treatment plan.

Risk Analysis and Evaluation Worksheet (sample)

Establish the Context								
Organizational Unit:	**Objectives:**			**Prepared by:** **Reviewed by:** **Date:**				
Identify Risks					**Analyze Risks**		**Evaluate Risks**	
Risk Category (Source)	**Key Risks** (What can happen and how can it happen?)	**Relevant Objective(s)**	**Potential Impacts** (What are the consequences? Describe in terms of Damages & Liability, Operational Effects and Reputation)	**Key Controls** (What are we doing now to manage the risk or enable the opportunity?)	**Impact Rating** (1-5)	**Likelihood Rating** (1-5)	**Risk Score** (Impact x Likelihood)	**Level of Risk** C,H,M,L



Winnipeg

Corporate Risk Framework (sample)

The Corporate Risk Framework is a tool that identifies risks that may positively or negatively impact business objectives. The eight "sources of risk" categories are organized under two broader categories: Context risks and Resource risks. Context risks relate to internal and external factors that impact the environment in which the organization operates or business processes are conducted. Resource risks relate to the resources used by the organization to accomplish its objectives.

CONTEXT RISKS

External Environment

Risks that originate outside of the organization.

- Political risk (Media, public confidence)
- Demographic changes
- Legislative changes
- Environmental damage
- Economic factors
- Social factors
- Natural disasters
- Terrorism

Compliance

Risks that originate from the requirement to comply with a regulatory framework, policies, directives or legal agreements.

- Enabling legislation
- Health & Safety laws
- Environmental laws
- Administrative directives
- By-laws
- Regulations
- Policies
- Contracts

Organizational Culture

Risks that relate to the intangible qualities that shape the way members of the organization conduct their business.

- Tone at the top
- Governance
- Leadership philosophy
- Management style
- Decision model
- Ability to learn from mistakes
- Ethics
- Shared values
- Level of trust
- Lines of authority
- Adaptability to change

Business Process

Risks that relate to the effectiveness and efficiency of business processes.

- Process/service quality
- Process/service efficiency
- Business continuity
- Policies and procedures
- Fraud
- Reliance on third party
- Quality of planning
- Operational capacity
- Internal controls

RESOURCE RISKS

Human Resources

Risks that relate to the adequacy and quality of staff as well as processes for recruiting, retaining, training & compensating staff.

- Staffing levels
- Staff competencies
- Recruitment/retention decisions
- Performance incentives & compensation
- Staff turnover
- Job action
- Training
- Succession planning

Financial Resources

Risks that relate to the levels of capital and operating funding and insurance as well as financial decisions made.

- Capital funding
- Operational funding
- Alternative funding mechanisms (new taxes, fees, charges)
- Appropriate pricing
- Level and type of insurance

Information Resources

Risks that relate to the use of information and how information is protected, stored, retrieved and shared.

- Information/data security
- Information/data quality
- Availability/access to information
- Obsolescence
- Integration/coordination
- Performance information

Physical Assets

Risks that relate to tangible assets such as buildings, equipment, vehicles and cash.

- Suitability
- Theft
- Breakdown
- Level of maintenance
- Misappropriation
- Misuse
- Obsolescence
- Depreciation

Corporate Risk Framework

To assist in the identification of risks, we developed a **Corporate Risk Framework**. It is based on the premise that the source of all risks can be grouped into two categories: context risks and resource risks. *Context risks* relate to the internal and external factors that impact the environment in which the organization operates or business processes are conducted. *Resource risks* relate to the resources used by the organization to accomplish its objectives.

Referring to a generic list of risks grouped by source helps to ensure that potential risks are not overlooked. In addition, identifying the source of risk aids in the development of effective risk management strategies.

Impact Measurement Tool

The **Impact Measurement Tool** is used to determine the impact rating of an identified risk. Impact is first broken down into three areas of impact: Damages and Liability, Operational Effects, and Reputation with five levels of impact ranging from insignificant to extreme.

The criteria for each level and type of impact are listed to provide an objective and consistent basis to assess the level of impact associated with a given risk. These criteria are aligned with our external auditor's view of materiality and our senior administration's view of relative impact levels. Establishing these criteria was a critical step in gaining an understanding of the organization's risk tolerance level.

In assessing the impact, both quantitative and qualitative criteria are used. Current controls are taken into account in determining the impact rating.

Winnipeg

Impact Measurement Tool (sample)

	Damages and Liability	Operational Effects	Reputation
Extreme **5**	• Incur/reduce damages of/by >$10M • Loss of key physical assets • Public officials charged criminally • Significant increase/decrease in provincial/federal funding • Irreparable, significant damage to environment • Exposure of critical confidential information • Death and/or significant permanent disability of public or staff	• Unable to perform essential services for extended period • Total loss of service group data • Ability to deliver newly identified essential service • >$10M in cost savings/overruns in delivery of services • >$10M from additional revenue sources	• Public/media outcry for change in administration and council • A Public Inquiry/trial • Very positive/negative public ratings • Very significant increase/decrease in quality of life indicators with resulting impact on City image
Major **4**	• Incur/reduce damages of/by $1M – $10M • Loss of significant physical asset • Exposure of significant amount of confidential information • Major environmental damage – extended clean-up required/some permanent damage • Serious injuries to public or staff resulting in some permanent disability	• Significant improvement/disruption in delivery of essential services • Significant gain/loss of service knowledge • Significant over/underachievement of service/service group objectives • Significant gain/loss of service data • Significant cost savings/overruns in delivery of services • Significant source of additional revenue	• Significant gain/loss of client trust • Public/media outcry for removal of departmental official • Strong praise/criticism by review agencies • Strong praise/criticism by external or internal audit • Public trial • Significant increase/decrease in quality of life indicators with resulting impact on City image
Moderate **3**	• Incur/reduce damages of/by $500 K - $1M • Exposure of limited amount of confidential/ sensitive information • Loss of large, but replaceable physical assets • Serious injuries to public/staff • Moderate environmental damage with moderate clean-up effort required, no permanent damage	• Moderate improvement/disruption in essential services • Some gain/loss of service knowledge • Some over/underachievement of service objectives • Some gain/loss of service data • Moderate cost savings/overruns in delivery of services • Moderate source of additional revenue	• Some gain/loss of client trust • Positive/negative media attention • Praise/criticism by review agencies • Strong recommendations from external or internal audit • Out-of-court settlement
Minor **2**	• Incur/reduce damages of/by $100K - $500K • Minor, non-permanent environmental damage requiring very limited cleanup efforts • Limited exposure of sensitive information • Minor injuries • Limited loss of physical assets	• Minor improvement/disruption in services, projects or processes • Minor gain/setback in achievement of service objectives • Limited gain/loss of service/service group data • Minor cost savings/overruns in delivery of services	• Minor gain/setback in building client trust • Some favourable/unfavourable media attention • Some favourable/unfavourable observations by review agencies • Minimal improvements suggested by external or internal audit • Threat of lawsuit
Insignificant **1**	• Incur/reduce damages of/by <$100K • Results in no injuries • Very limited exposure of sensitive information • Very limited loss of physical assets • Very minor, non-permanent environmental damage requiring no clean-up measures	• No or very minor improvement/disruption in services, projects or processes • No or very minor gain/loss of service data • No or very minor cost savings/overruns in delivery of services	• No or very minor impact on client trust • No or very minor media attention

Likelihood Measurement Tool (sample)

Chance that event will happen over the term of the business plan (36 months).

Likelihood		Description
5	Almost certain	Is expected to occur unless circumstances change
4	Likely	Will probably occur in most circumstances
3	Possible	Might occur under current circumstances
2	Unlikely	Could occur if circumstances change
1	Rare	May occur only in exceptional circumstances

Likelihood Measurement Tool

The **Likelihood Measurement Tool** is used to assist in determining the likelihood rating of an identified risk. The likelihood of an event occurring changes in relation to time. Generally, over a relatively short time period, all things being equal, an event is less likely to occur than over a longer time period. So it is very important to establish the time frame that is to be used when assessing the likelihood of a risk occurring. For our purposes, we chose a three-year period, which corresponds to the City's cycle for business planning.

When assessing the likelihood of a risk event occurring past experience, current knowledge and future trend information is utilized. Current controls are also taken into account.

There are five levels of likelihood with corresponding descriptors to help objectively differentiate among the levels. They are defined on a continuum depending upon the event's expected chance of occurrence within the three-year time horizon. The five levels range from rare to almost certain.

Risk Response Matrix

The **Risk Response Matrix** is designed to determine the relative level of risk consistently and to indicate the risk tolerance level of the organization.

Each risk requires a response that is commensurate with the level of risk. In general, the highest assessed risks should be treated first. After determining the level of risk, the Risk Response Matrix provides guidance on what level of management should be involved in making decisions about the risk and its treatment. In the case of critical risks, Council may need to be informed.

The City's risk tolerance level tends to be impact driven. Because of the severe consequences of a threat being realized, the City is less willing to accept risks that will have major or extreme impacts even if they are unlikely to occur. This approach to risk acceptance is typical for the public sector.

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Risk Response Matrix (sample)

Likelihood	**Impact**				
	Insignificant 1	Minor 2	Moderate 3	Major 4	Extreme 5
Almost certain 5	M	M	H	C	C
Likely 4	M	M	H	C	C
Possible 3	L	M	M	H	H
Unlikely 2	L	L	M	H	H
Rare 1	L	L	M	M	M

Legend

C	Critical risk	CAO involvement essential, inform committee of Council
H	High risk	Senior management involvement essential, inform CAO
M	Moderate risk	Management mitigation and monitoring required, inform senior management
L	Low risk	Manage by routine procedures

Winnipeg

Service Grouping Risk Profile (sample)

Source of Risk							
Context Risks				Resource Risks			
External Environment	Compliance	Organization Culture	Business Process	Human Resources	Financial Resources	Information Resources	Physical Assets
Change in enabling legislation	Compliance with provincial safety regulations	Workforce's inability to adapt to change	Customer complaints are not effectively handled	Loss of key employees	Inadequate level of funding	Inadequate sharing information between services	Obsolescence of customer service system
Aging population	Compliance with privacy legislation	Leadership	Quality of service fails to meet standards	Poor morale	Inadequate insurance coverage	Inadequate performance measurement information	Infrastructure failure
			Timeliness of service delivery fails to meet standard	Shortage of specific skills	Fraud	Lack of timely information	Inadequate infrastructure

SAMPLE

Level of Risk

- Critical
- High
- Moderate
- Low

Risk Profile

The **Risk Profile** is the product that facilitates the communication of the significant risks associated with the goals of an organizational unit.

This is a sample risk profile. It mirrors the Corporate Risk Framework in terms of the categorization of risks. The purpose of the risk profile is to see, at a glance, the key threats and opportunities associated with the objectives of each business unit.

It also indicates the level of management that should be involved in risk decisions and the corporate departments that should provide leadership in managing a particular category of risk.

The risk profile facilitates both vertical and horizontal integration of risk management activities.

Risk Action Plan

The primary purpose of the **Risk Action Plan** is to provide a consistent format for the steps that are necessary to treat a risk. The Risk Action Plan does the following:

- Provides the documentation necessary to ensure that managers are taking the required steps to adequately manage key risks.
- Helps to ensure that managers have considered sufficient and appropriate information in arriving at their risk management decisions.
- Assists in assigning responsibility and allocating resources for the treatment of a particular risk.

Options to treat risk are as follows:

- **Avoid risk**: Decide not to be involved in or take action to withdraw from a risk situation.
- **Transfer risk:** Share the burden of loss or benefit of gain with a third party
- **Control risk:** Develop mitigating strategies to reduce the likelihood or impact of a risk

Risk Action Plan (sample)

Winnipeg

Department:
Service Group:
Objective:

Risk Description of risk:
Potential Impacts: (Damages and Liability, Operational Effects, Reputation)
Key Controls:
Action Plan Proposed actions: (Avoid Risk, Transfer Risk, Control Risk)
Resource requirements:
Responsibilities:
Timing:
Compiled by: Date: Reviewed by: Date: