



THE REGIONAL MUNICIPALITY OF PEEL

AUDIT AND RISK COMMITTEE

AGENDA

ARC - 4/2019

DATE: Thursday, September 19, 2019

TIME: 11:00 AM – 12:30 PM

LOCATION: Council Chamber, 5th Floor
Regional Administrative Headquarters
10 Peel Centre Drive, Suite A
Brampton, Ontario

MEMBERS: S. Dasko; N. Fairhead; C. Fonseca; N. Iannicca; K. Ras; R. Santos;
I. Sinclair; R. Starr; H. Zuberi

Chaired by Councillor R. Starr.

1. DECLARATIONS OF CONFLICTS OF INTEREST

2. APPROVAL OF AGENDA

3. DELEGATIONS

4. REPORTS

4.1. Driver Certification Program Audit (For information)

4.2. Common Risks and Opportunities-Analysis of Internal Audit Reports 2015-2018 (For information)

Presentation by Michelle Morris, Director, Enterprise Risk and Audit Services and Jennifer Weinman, Manager, Enterprise Audit Services

4.3. Corporate Risk Profile

Presentation by Michelle Morris, Director, Enterprise Risk and Audit Services and Anila Lalani, Advisor, Enterprise Risk Management

4.4. Establishing a Treasury Risk Framework

Presentation by Julie Pittini, Director, Treasury Services

5. COMMUNICATIONS

6. IN CAMERA MATTERS

7. OTHER BUSINESS

8. NEXT MEETING

Thursday, October 31, 2019, 11:00 a.m. – 12:30 p.m.
Council Chamber, 5th Floor
Regional Administrative Headquarters
10 Peel Centre Drive, Suite A
Brampton, Ontario

9. ADJOURNMENT

For Information

DATE: September 4, 2019

REPORT TITLE: **DRIVER CERTIFICATION PROGRAM AUDIT**

FROM: Michelle Morris, Director, Enterprise Risk and Audit Services

OBJECTIVE

To inform the Audit and Risk Committee of the results of the Driver Certification Program Audit.

REPORT HIGHLIGHTS

- The Ministry of Transportation Ontario has approved the Region of Peel as a Recognized Authority under the provincial Driver Certification Program. Under this authority, the Region provides training and testing to employees for the purpose of upgrading or renewing driver's licences.
- The Audit was completed in accordance with the Ministry's requirements. There were no infractions observed during the audit testing.
- The Region of Peel is in compliance with the Ministry's Driver Certification Program requirements.

DISCUSSION**1. Background**

Under the approved authority by the Ministry of Transportation Ontario, the Region's Public Works Operations Support Division provides Driver Certification Program (Program) training and testing to employees for the purpose of upgrading or renewing driver's licences.

Classes of licence certified include A, B, C, D, E, F and Z. During the audit period, the Region appointed the Director, Operations Support to be the Recognized Authority Official, who is directly responsible for effectively delivering the Program. Further, the Region has Signing Authorities who are Ministry approved trainers and testers that deliver the Program.

During the audit period from April 2016 to May 2019, the Region had four approved Signing Authorities performing training and testing of 700 licence activities. Approximately 89 per cent of all activities were licence renewals and 11 per cent were licence upgrades.

In 2014, the Ministry implemented a process to ensure that all Recognized Authorities are in compliance with the Ministry requirements by delegating the authority to conduct audits on their behalf. Internal auditors meet the criteria to conduct Driver Certification Program audits.

DRIVER CERTIFICATION PROGRAM AUDIT

The last Driver Certification Program audit was reported to the Audit and Risk Committee on May 5, 2016. There was no infraction resulting from that audit. The next audit is scheduled in 2022.

2. Audit Objective and Scope

The objective of this audit was to determine if the Region of Peel complied with the requirements of the Driver Certification Program set out by the Ministry of Transportation Ontario.

The procedures of this Compliance Audit were specified by the Ministry and incorporated into the defined audit program and reporting requirements provided by the Ministry.

Specifically, the audit focused on assessing the Region's compliance to various Ministry requirements including:

- General and driver file requirements, requirements for facilities/teaching aids, vehicles used for training and testing, and training course and testing;
- Requirements for the staff holding the Recognized Authority Official and Signing Authority roles;
- Vehicle Safety Inspection requirements.

The scope of the audit included records between April 2016 and May 2019.

3. Audit Observation

The Driver Certification Program Audit was conducted in accordance with the Ministry of Transportation Ontario's requirements. A sample of the employee driver files were examined, and actual training and tests were observed.

There were no infractions noted for the audit.

The audit results were uploaded to the Ministry's database before the due date of July 1, 2019.

CONCLUSION

Based on the results of the audit, it is concluded that the Region of Peel as the Recognized Authority complies with the Ministry of Transportation's Driver Certification Program requirements.



Michelle Morris, Director, Enterprise Risk and Audit Services

DRIVER CERTIFICATION PROGRAM AUDIT

Approved for Submission:



N. Polsinelli, Interim Chief Administrative Officer

For further information regarding this report, please contact Michelle Morris, Director, Enterprise Risk and Audit Services, extension 4247, michelle.morris@peelregion.ca.

Authored By: Jenny Gong, Senior Internal Auditor

For Information

DATE: September 12, 2019

REPORT TITLE: **COMMON RISKS AND OPPORTUNITIES-ANALYSIS OF INTERNAL
AUDIT REPORTS 2015-2018**

FROM: Michelle Morris, Director, Enterprise Risk and Audit Services

OBJECTIVE

To provide the Audit and Risk Committee with an assessment of the common risks and opportunities from the Enterprise Risk and Audit Services audit reports issued 2015-2018 and further to communicate management's response.

REPORT HIGHLIGHTS

- Individual audit reports are useful in advising management on risks and control issues that may affect the successful operation of a service, sub-service, process or function.
- Observations raised in the individual audits are addressed by management on a service by service basis.
- The purpose of the common risks and opportunities report is to be proactive in addressing reoccurring themes identified in audits that may be better addressed through an enterprise-wide response.
- The top three risks and opportunities from the report analysis from 2015-2018 indicate a need to:
 - Strengthen controls over monitoring and oversight of third-party providers.
 - Develop or update policies and procedures to reflect changes to processes, practices and expectations.
 - Develop or update sub-service and process strategies, objectives and performance measures.
- Management has provided responses to the risks and opportunities.

DISCUSSION

1. Background

At the beginning of each new Term of Council, the Director, Enterprise Risk and Audit Services issues a report titled "Common Risks and Opportunities-Analysis of Internal Audit Reports". The common risks and opportunities are determined through an analysis of all audit reports issued in the prior Term of Council. This report captures all audits presented to the Audit and Risk Committee from the period 2015-2018. The purpose of the common risks and opportunities report allows the Region to be proactive in addressing reoccurring

COMMON RISKS AND OPPORTUNITIES-ANALYSIS OF INTERNAL AUDIT REPORTS 2015-2018

themes identified in audits that may be better addressed through an enterprise-wide response.

For this period, 20 audit reports with a total of 108 observations were analyzed. Each observation was classified under a risk category. The risk categories are taken from the Enterprise Risk Management framework and include five broad categories of risks: strategic, operations, reputation, compliance and financial. From the analysis of observations most risks and opportunities were operational and strategic in nature.

This report addresses three common risks and opportunities that were tabulated to be the most common observations in the audits conducted.

2. Overview and Purpose

Individual audit reports are useful in advising management on risks and control issues that may affect the successful operation of a service, sub-service, process or function. Typically, action plans help mitigate future risk through the implementation of control improvements.

Individual audit reports do not always address broader risk and control themes due to their focused nature. However, similar issues may arise over a series of audits that could point to a more systemic or reoccurring set of issues indicating that a more holistic perspective of risk and control is needed.

As previously stated, the purpose of the common risks and opportunity report allows the Region to be proactive in addressing reoccurring themes identified in audits that may be better addressed through an enterprise-wide response.

3. Analysis

A review of the risks and opportunities identified in the audits from 2015-2018 indicated that three common risk themes identified in the prior thematic report have continued. Those dealing with processes over monitoring and oversight controls and those related to policies and procedures. The development or update of sub-service and process strategies and objectives was not as prevalent.

An effective measure of determining a common risk or opportunity is the frequency where a risk or opportunity is identified.

Individual issues appearing in audit reports may not necessarily impact the overall strategic outcomes of the Region. Observations raised in audit reports are addressed by management through the implementation of action plans to mitigate current and future risk on a service by service basis. However, issues collectively identified over several reports may point to more systemic issues. Themes identified can indicate a trend and provide knowledge to address systemic or emerging risk areas.

For the period 2015-2018, the top three risks and opportunities signaled a need to:

Strengthen monitoring and oversight controls of services and third-party providers

The Region relies on many third-party providers who help to deliver services to residents and businesses. Third-party providers include private, not-for-profit and other public sector

COMMON RISKS AND OPPORTUNITIES-ANALYSIS OF INTERNAL AUDIT REPORTS 2015-2018

industries that provide services on the Region's behalf. These third-party providers are governed under contracts and agreements. The main driver of this common risk is that the process to manage and oversight third party providers contained a gap, did not achieve the intended outcome or were absent. Specific observations are as follows:

- Ensure that third parties provide adequate documentation to support that funds have been used for the purpose intended
- Review performance reports by third-party providers to ensure contract obligations are met
- Provide training and education to contract owners to enable proper monitoring and oversight
- Clarify the roles and responsibilities of contract owners

The audits resulted in the identification of several opportunities for improvement, specifically clarifying roles and responsibilities and reinforcing through education and training. The absence of effective monitoring and oversight can lead to processes and or services that are ineffective and inefficient and further impact organizational performance.

Management Response

The Executive Leadership Team, as part of the annual process to set performance goals throughout the organization, will ensure capacity, capability and awareness related to strong contract oversight and monitoring controls is strengthened through the use of clear processes and supporting tools and training. This is expected to be complete by June 30, 2020.

Develop or update policies and procedures to reflect changes to processes, practices and expectations.

This common theme within the completed audit reports involved either out of date policies or the absence of guidelines or procedures. It is important to note that the Region has a Corporate Policy which outlines when corporate policies are to be updated. Policies may become increasingly obsolete as the organization changes and often policies are not updated to reflect these changes. In addition, some policies and procedures are "implicit"; they have become imbedded in organizational culture and are passed down from staff to staff.

The absence of policies and procedures or the absence of guidelines may increase the risk of organizational sustainability from a continuity perspective and thus current practices may be misaligned and result in non-compliance to approved policies. Absent or outdated policies and procedures can contribute to inefficiency and affect organizational innovation. Well documented, communicated and understood key policies can support effective organizational governance.

Management Response

Management will review policies and procedures across the organization, assess their current state, and identify gaps. Following the policy on Corporate Policy Management, processes will be put in place to determine appropriate approaches for updating policies and procedures, where required. This is expected to be completed by December 31, 2020.

COMMON RISKS AND OPPORTUNITIES-ANALYSIS OF INTERNAL AUDIT REPORTS 2015-2018

Develop or update sub-service and process strategies, objectives and performance measures.

This theme found either a need to revise sub-service and process strategies due to changing conditions or an absence of sub-service and process objectives and/or performance measures. The organization continues to go through new and changing initiatives, such as Term of Council priorities and the Digital Strategy. Organizational change can upset the alignment of processes to sub-service and process strategies.

Management Response

The Executive Leadership Team, through work underway to develop corporate performance management practices, will ensure that Regional services and sub-services outcomes, including corresponding performance measures, are in place and regularly assessed through established review and reporting processes. This is expected to be completed by June 30, 2020.

CONCLUSION

Overall, individual issues appearing in audit reports may not necessarily be significant by themselves. However, issues collectively identified over several reports can point to opportunities to enhance controls through an enterprise-wide approach. Risks and opportunities identified are more valuable when they can identify a trend thus provide knowledge to address emerging risks.

Management has provided responses to address the risks and opportunities noted.

Enterprise Risk and Audit Services will continue to identify common risks and opportunities and report back to senior leadership and the Audit and Risk Committee once each Term of Council.



Michelle Morris, Director, Enterprise Risk and Audit Services

Approved for Submission:



N. Polsinelli, Interim Chief Administrative Officer

For further information regarding this report, please contact Michelle Morris, Director, Enterprise Risk and Audit Services, extension 4247, michelle.morris@peelregion.ca.

Authored By: Jennifer Weinman, CPA, CA, CIA, CRMA; Carol Lyons, CPA, CGA, CIA and Jenny Gong CPA, CIA

COMMON RISKS AND OPPORTUNITIES - ANALYSIS OF INTERNAL AUDIT REPORTS 2015-2018

Michelle Morris, Director, Enterprise Risk and Audit Services
Jennifer Weinman, Manager, Enterprise Audit Services

Purpose

- Proactive approach to addressing systemic risks and opportunities

COMMON THEMES 2015-2018

- Strengthen controls over monitoring and oversight of third party vendors
- Develop or update policies and procedures
- Develop or update sub-service and process strategies, objectives and performance measures

Agenda

- Overview and purpose of thematic reporting
- Approach to analyzing reports
- Results of the analysis
- Questions

Overview and Purpose of Thematic Reporting

- Individual audit reports advise management of risk and control issues at service, sub-service, process or function levels.
- Reports do not address broader risk and control themes

Overview and Purpose of Thematic Reporting

- Similar issues over a series of reports may point to systemic or reoccurring set of issues
- Purpose of thematic reporting allows the Region to be proactive in addressing reoccurring themes

Analysis

- Captures all audits presented to the Audit and Risk Committee for the periods 2015-2018.
- Each risk from the audit reports was classified under the appropriate risk category
- The main themes and drivers of each risk/opportunity were identified and summarized.

COMMON RISKS AND OPPORTUNITIES - ANALYSIS OF AUDIT REPORTS 2015-2018

Thank you and Questions

Michelle Morris

Director, Enterprise Risk and Audit Services

Jennifer Weinman

Manager, Enterprise Audit Services

DATE: September 10, 2019

REPORT TITLE: **CORPORATE RISK PROFILE**

FROM: Michelle Morris, Director, Enterprise Risk and Audit Services

RECOMMENDATION

That the Region of Peel's Corporate Risk Profile as described in the report of the Director, Enterprise Risk and Audit Services, titled "Corporate Risk Profile", be endorsed;

And further, that the subject report and presentation be referred to the October 10, 2019 Regional Council meeting for approval.

REPORT HIGHLIGHTS

- A Corporate Risk Profile (the Profile) is a communication tool that identifies key risks (internal and external) facing an organization and determines the impact the risks may have on the organization's ability to deliver on its strategic objectives and outcomes.
- The Profile provides an analysis of the key risks facing the Region.
- The 2019 Profile includes 15 key risks and the accompanying mitigation plans for the internal risks and actions for external risks to reduce the impact should the risk materialize.
- The Profile allows for further review of existing mitigation plans, gaps and actions required to either reduce or accept risks.
- The Profile contains a risk inter-connectivity analysis of climate change risk and the impact this risk may have on other risks identified in the profile. The climate change master plan will be presented to Regional Council in the fall.
- The Profile is presented for review and approval as required by the Audit and Risk Committee Charter.

DISCUSSION

1. Background

The Enterprise Risk and Audit Services division facilitates the Enterprise Risk Management program on behalf of the Region of Peel. Enterprise Risk Management is the coordinated activities to direct and control an organization with regards to risk. The Enterprise Risk and Audit Services division is required, by its Charter, to provide annually a Corporate Risk Profile that documents the critical risks facing the Region and the mitigation strategies to manage them.

CORPORATE RISK PROFILE

A Corporate Risk Profile (the Profile) is a communication tool that identifies key risks (internal and external) facing an organization and determines the impact the risks may have on the organization's ability to deliver on its strategic objectives and outcomes.

The audience for the Profile includes Council, the Executive Leadership Team and program and service owners that may be impacted by the risks identified. The Profile includes existing mitigation plans in place or in progress for the internal risks identified. While the Region cannot control the external risks that exist in the environment the Region operates in, it monitors those external risks and takes necessary actions to reduce the impacts should the risk manifest.

The Profile is attached as Appendix I.

2. Methodology

The Profile methodology is outlined in the Corporate Risk Profile.

3. Risk Inter-connectivity Analysis

New to the profile this year is a risk inter-connectivity analysis of climate change risk and the impact this risk may have on other corporate risks identified in the profile. The inter-connectivity analysis was conducted on climate change as this risk as identified through the Global Risk report produced by the World Economic Forum is most prevalent both in terms of likelihood and impact. The Region will be bringing forward the Climate Change Master Plan to Regional Council in the fall.

The inter-connectivity analysis is appended to the Profile in Appendix I, Section 9.2

4. Risk realized

The profile contains a section dedicated to risk realized over the previous year. This section is new to the Profile. The section highlights risks that have manifested over the past year and the potential impacts on the Region's vision, mission and strategic outcomes. Risks realized are noted in Appendix I, Section 3 of the Profile.

CONCLUSION

The Corporate Risk Profile is presented for the Audit and Risk Committee's review and approval. The Profile provides a summary of the key risks facing the organization from an internal and external perspective, the impact these risks may have on the Region's ability to achieve the Term of Council Priorities and strategic outcomes and current and proposed mitigation plans to manage the risks.



Michelle Morris, Director, Enterprise Risk and Audit Services

CORPORATE RISK PROFILE

Approved for Submission:



N. Polsinelli, Interim Chief Administrative Officer

APPENDICES

Appendix I - Region of Peel Corporate Risk Profile

For further information regarding this report, please contact Michelle Morris at 905 791 7800 ext. 4247 or via email at michelle.morris@peelregion.ca

Authored By: Michelle Morris, CPA, CGA, FCCA, CIA, CRMA and Anila Lalani, CPA, CGA, CIA, CISA



Corporate Risk Profile

Enterprise Risk and Audit Services



September 2019

APPENDIX I
CORPORATE RISK PROFILE

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APPENDIX I CORPORATE RISK PROFILE

1 Introduction

The Region of Peel (Region) is the second-largest municipality in the Greater Toronto Area (GTA) with 1.484 million residents and 175,534 businesses within the cities of Brampton, Mississauga and the Town of Caledon. The vision for Peel is Community for Life, where everyone enjoys a sense of belonging and has access to the services and opportunities they need to thrive throughout each stage of their lives. The Region like all other organizations is exposed to various risks (internal and external) in pursuit of its vision and mission.

Enterprise Risk and Audit Services developed the first Corporate Risk Profile (the Profile) in 2018 that identified the key risks that the Region is exposed to in pursuit of its vision and mission. The Profile provides information on the impact the risks may have on the organization's ability to deliver on its strategic objectives and outcomes (Strategic Plan outcomes). The Region continues to face challenges, including: a rapidly changing economic and legislative environment, a growing and aging community, the evolvment of new technologies, the changing nature of employment and the impact of funding reductions to name a few. The Profile includes the Region's strategies to mitigate risk exposures. Mitigation plans are either implemented or in progress and may increase the likelihood of achieving the strategic plan outcomes.

1.1 Purpose

The Corporate Risk Profile provides the Region of Peel with an analysis of the key risks both from an internal and external perspective and takes into consideration the impact these risks may have on the Strategic Plan outcomes. The Profile further enables the Region to review existing mitigation plans in place to address these risks and determine if additional resources are required or if efforts can be reduced where risk exposure is lower. Additionally, it can be used for risk-informed decision making and serves as an input in planning, prioritization and resources allocation. Specific uses of the Corporate Risk Profile and users are outlined below in Table 1:

Table 1

User	Usage
Regional Council and Senior Management	<ul style="list-style-type: none"> • Key input into strategic planning to assist in determining areas of focus; • Determine if the Region is taking the right risk to provide better value to citizens; • Improve stakeholders' trust and confidence that an organization is being managed well; and • Improve governance as an organization is proactive in managing risk.

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CORPORATE RISK PROFILE**

User	Usage
Program/Service Managers	<ul style="list-style-type: none"> • Improve operational effectiveness and efficiency; • Improve controls to increase the likelihood of achieving objectives/outcomes; and • Effectively allocate and use resources for managing risks.
Enterprise Risk and Audit Services	<ul style="list-style-type: none"> • Input into planning to help ensure audit and risk resources are focused on high risk areas. • Assurance is provided in the higher risk areas.

1.2 Methodology

The methodology for the annual refresh to the Corporate Risk Profile includes:

- Reviewing corporate risks with the assigned risk managers for any change
- Providing updates to the mitigation plans
- Providing updates to any risk(s) that may have manifested
- Partnering with selected risk managers to provide the risk interconnectivity information where possible

2 Corporate Risks

A total of 15 key risks are presented in the Profile that may prevent the Region from achieving its Strategic Plan outcomes. A couple of these risks have manifested over the year and may have a significant impact on the Region’s ability to pursue its Strategic Plan outcomes in the timelines that were previously projected.

Table 2 below identifies the significant corporate risks, definitions, expected source of origin and brief comments where applicable. Please note that eight risks are renamed from the previously communicated Profile, two definitions and one risk ranking has been updated to better reflect the risk exposure.

Table 2

No.	Risks	Definitions	Internal/External	Comments
1.	Social Cohesion and Intolerance	Erosion and breakdown of social cohesion and growing intolerance in the community and its impact on the Region’s ability to achieve its strategic outcomes.	External – Risk realized	Hate crime is a criminal offence motivated by hate or bias. According to Statistics Canada Hate Crimes Snapshot (2016-2017), there is a: <ul style="list-style-type: none"> - 47% increase in reported hate crimes across year-over-year Canada - 67% increase in Ontario - 28% reported hate crimes were solved It is assumed that 67% of hate crimes are unreported ¹ .

APPENDIX I
CORPORATE RISK PROFILE

No.	Risks	Definitions	Internal/External	Comments
				The 2018 Annual Hate-Motivated Crime Report from Peel Police noted 107 criminal code offences identified as hate motivated crimes and 34 (32%) of them resulted in charges ² .
2.	Economic Downturn	Downward shift in the economy could cause an increase in service demand and reduced revenue for the Region.	External	In 2018, broad macroeconomic changes were positive. The global, national and provincial economies grew, and labour market conditions improved. North American trade uncertainties have dissipated but broad uncertainties emerged, such as, trade tensions between the two largest economies – China and the United States of America (USA), weaker than expected performance of the Euro area and uncertainties remain around BREXIT. The risk of an economic downturn remains elevated given that the current business cycle is now the longest on record.
3.	Changing Government Policies and Levels of Government	Impact of significant changes in other levels of government or its policies on Regional services.	External – Risk realized	The provincial government has announced major changes that has significant impact on the Region. These changes are categorized in three broad areas: a) Changes in the healthcare governance structure – The Province has announced intentions and plans to combine existing public health units and establish 10 new regional public health entities. b) Reduced funding – The Province has reduced the size of funding envelope as well as decreased the Province’s share of funding for co-share programs and services. c) Regional Review – The Province has undertaken a review of Regional government. The purpose of the review is to help ensure that these

APPENDIX I
CORPORATE RISK PROFILE

No.	Risks	Definitions	Internal/External	Comments
				municipalities are working effectively and efficiently and can continue to provide the vital services. The review will examine a total of 82 upper and lower-tier municipalities. This includes Peel, Mississauga, Brampton and Caledon.
4.	Changing Employment and Impacts of Automation	Changing nature of employment including the impact of automation on the labour force.	External	The employment landscape is changing where artificial intelligence and automation threaten traditional jobs, digitization facilitates outsourcing, technology has enabled a more mobile and globalized workforce, and as a result tax revenue is declining, traditional office spaces are underutilized, and stores are becoming obsolete, societal inequality is growing, and workers increasingly engage in precarious 'gig economy' jobs ³ .
5.	Negative Publicity <i>(Formerly identified as People / Reputation)</i>	Actions or inactions taken by employee(s) and /or the members of public through various media channels (e.g. social media) which may harm or compromise the Region's reputation	External/Internal – Risk realized	On March 13, 2019, the Region learned that limited personal information of approximately 13,000 individuals on a wait list for Regional services was mistakenly posted on a mapping website used for creating and sharing digital maps. The information contained names, addresses and family size, and was labelled on the site as "Resident Waitlist". It was originally posted on June 8, 2018. Upon discovery, the Region immediately removed the map from the website and is currently reviewing existing practices to mitigate the risk of future occurrences.
6.	Cyber Attacks	Inability to protect the Region's electronic data and information from cyber-attacks.	External – Risk realized	Protecting the Region's electronic data and information from cyber-attacks is assessed as a very high risk. The Region like other organizations will continue to have exposure to cyber-attacks. From the finalization of the initial 2017 Corporate Risk Profile until

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**APPENDIX I
CORPORATE RISK PROFILE**

No.	Risks	Definitions	Internal/External	Comments
				June 2019, there was one attempted cyber intrusion; which was unsuccessful.
7.	Ineffective Growth Management Planning <i>(Formerly identified as Growth Management)</i>	Impact of inaccurate growth forecasts on Regional growth management plans resulting in misaligned financial commitments.	External/Internal	The mitigation plans for ineffective growth management planning risk are noted in Table 5 below.
8.	Competition for Talent <i>(Formerly identified as Talent Management)</i>	Competition to recruit and retain the right talent.	External/Internal	The definition of this risk has been updated. Ranking updated from 'Very High' to 'High' to reflect the assessed risk exposure.
9.	Absence of Information <i>(Formerly identified as Information Management)</i>	Absence of timely pertinent, consistent and accurate information to support decision making.	Internal	The mitigation plans for absence of information risk are noted in Table 5 below.
10.	Outdated Technology <i>(Formerly identified as Technology)</i>	Region's inability to sustain/ maintain legacy Information Technology systems.	Internal	The definition of this risk has been updated.
11.	Climate Change and Environment	Inability to manage/adapt to the impact of climate change that could significantly affect the Region's finances and service delivery. Inability to manage the negative impact on the environment due to Regional hazardous discharge from its various services (Regional environmental foot print).	External/ Internal	The mitigation plans for climate change and environment risk are noted in Table 5 below.
12.	Absence of Contract Management and Oversight <i>(Formerly</i>	Inability of vendors and/or community partners to deliver services or products to agreed costs	External/Internal	The mitigation plans for absence of contract management and oversight risk are noted in Table 5 below.

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CORPORATE RISK PROFILE**

No.	Risks	Definitions	Internal/External	Comments
	<i>identified as Vendor Management)</i>	and/or specifications.		
13.	Ineffective Design and Implementation of Business Services and Processes <i>(Formerly identified as Modernize Service Delivery)</i>	Inability to modernize service delivery - this may include but not limited to technological advancement, innovation, and transformation to support the needs of the community and employees. Inability to achieve the expected value from the outcomes – for example, inadequate needs identification, ineffective project management, unable to work collaboratively, unable to dedicate required resources.	Internal	The responsibility of this risk resides with multiple service managers and enabling partners such as Human Resources, Facilities and Technology.
14.	Absence of Infrastructure and Asset Planning <i>(Formerly identified as Asset Management)</i>	Inability to maintain new and existing infrastructure could impact the Region's ability to maintain levels of services currently provided by the Region.	Internal	The mitigation plans for absence of infrastructure and asset planning risk are noted in Table 5 below.
15.	Health and Safety	Inability to maintain health and safety practices in the workplace (including violence and harassment).	Internal	The mitigation plans for health and safety risk are noted in Table 5 below.

There may be additional risks and uncertainties identified and not deemed significant that may also impact the Region’s ability to deliver on its Strategic Plan outcomes.

**APPENDIX I
CORPORATE RISK PROFILE**

2.1 Risk Assessment

A set of criteria were used to assess the risks. Risks that were considered significant - ‘very high’ or ‘high’ are included in the Corporate Risk Profile. The following definitions have been used for ranking ‘very high’ and ‘high’ risk:

Table 3

Risk Rank	Definitions
Very High	Would prevent achievement of outcomes/objectives, or cause unacceptable cost overruns, or project slippage, or program delivery issues and or compromise Regional credibility and reputation.
High	Would cause substantial delays in the achievement of outcomes/objectives, or cause unacceptable cost overruns, or project slippage, or program delivery issues and or compromise Regional credibility and reputation.

The risk map below provides risk ranking as determined by senior leadership and risk type. Controls in place are classified as green. Controls in progress are classified as yellow. Where the Region has minimal ability to mitigate the risk (external), the Region does have actions in place that may reduce the impact should these risks materialized. The external risks’ controls are noted in grey.

Table 4

No.	Risk	Risk Assessment	Control	Risk Type
1.	Social Cohesion and Intolerance Erosion and breakdown of social cohesion and growing intolerance in the community and its impact on the Region’s ability to achieve its strategic outcomes.			Social
2.	Economic Downturn Downward shift in the economy could cause an increase in service demand and a loss of revenue for the Region.			Economic
3.	Changing Government Policies and Levels of Government Impact of significant changes in other levels of government or its policies on Regional services.			Political
4.	Changing Employment and Impacts of Automation Changing nature of employment including the impact of			Economic

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No.	Risk	Risk Assessment	Control	Risk Type
	automation on the labour force.			
5.	Negative Publicity Actions taken by employee(s) and /or the members of public through various media channels (social media) may harm or compromise the Region's reputation.			People/ Reputation
6.	Cyber Attacks Inability to protect the Region's electronic data and information from cyber-attacks.			Technology/ Information Management
7.	Ineffective Growth Management Planning Impact of inaccurate growth forecasts on Regional growth management plans.			Service Delivery
8.	Competition for Talent Competition to recruit and retain the right talent.			People
9.	Absence of Information Absence of timely pertinent, consistent and accurate information to support decision making.			Technology/ Information Management
10.	Outdated Technology Region's inability to sustain/ maintain legacy Information Technology systems.			Technology/ Information Management
11.	Climate Change and Environment Inability to manage/adapt to the impact of climate change that could significantly affect the Region's finances and service delivery. Inability to manage the negative impact on the environment due to Regional hazardous discharge from its various services (Regional environmental foot print).			Environmental
12.	Absence of Contract Management and Oversight Inability of vendors and/or			Contractual/ Procurement

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No.	Risk	Risk Assessment	Control	Risk Type
	community partners to deliver services or products to agreed costs and/or specifications.			
13.	<p>Ineffective Design and Implementation of Business Services and Processes</p> <p>Inability to modernize service delivery - this may include but not limited to technological advancement, innovation, transformation to support the needs of the community and employees.</p> <p>Inability to achieve the expected value from the outcomes – for example, inadequate needs identification, ineffective project management, unable to work collaboratively, unable to dedicate required resources.</p>			Service Delivery
14.	<p>Absence of Infrastructure and Asset Planning</p> <p>Inability to maintain new and existing infrastructure could impact the Region's ability to maintain levels of services currently provided by the Region.</p>			Infrastructure / Asset Planning
15.	<p>Health and Safety</p> <p>Impact of Region's inability to maintain health and safety practices at the Region's workplace (including violence and harassment).</p>			People

3 Risk Realized

3.1 Social Cohesion and Intolerance

The Region of Peel’s vision: Community for Life is directly linked to social cohesion. An increase in hate crime, which is a criminal offence motivated by hate or bias, was realized over the past year. According to Statistics Canada Hate Crimes Snapshot (2016-2017), there is a 47 per cent increase in reported hate crimes across Canada year-over-year, and a 67 per cent increase in Ontario. It is assumed that 67 per cent of hate crimes are unreported⁴.

The 2018 Annual Hate-Motivated Crime Report issued from Peel Regional Police noted that 107 criminal code offences were identified as hate motivated crimes and 34 (32 per cent) of them resulted in charges. The Region will continue to monitor this risk and the potential impact it may have on Region’s strategic outcomes. The Region has taken steps to reduce the impacts of this risk and it is noted in Table 5.

3.2 Changing Government Policies and Levels of Government

This external risk was realized over this past year. The provincial government announced significant changes that will have significant impact on the Region’s ability to achieve its Strategic Plan Outcomes.

These changes include but are not limited to:

- The public health governance structure
- Reduce provincial funding
- Regional government review
- The employment services model

The impact of these changes is still unknown.

3.2.1 Public Health Governance Structure

The 2019-2020 provincial budget included the consolidation of “35 public health units into 10 regional public health agencies”, with new autonomous Boards of Health⁵. This amalgamation could have a “considerable impact on the governance structure and local geography for public health service delivery”.

Ontario Bill 74 (The People’s Health Care Act), will see several functional and structural changes to Ontario’s health system over many years. Initially the delivery of care and

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how it is accessed by residents will not change; however, the Region will need to align its services to the new structure.⁶

With the transformation of public health units, the Region may have less control over services offered; impacting the needs of residents. This is further complicated by the fact that “Peel’s population is expected to exceed 1.7 million by 2031, and the community has a higher life expectancy rate as compared to the Ontario average and Canada”⁷.

3.2.2 Reduced Provincial Funding

The provincial government has reduced funding to municipalities and decreased the percentage it contributes to the cost sharing model. These external cuts, and anticipation of additional funding announcements has added another layer of complexity/uncertainty to financial planning.

3.2.3 Regional Government Review

The Province began the Regional government review in December 2018 with an objective to “assess the governance, decision-making and the service delivery functions of eight regional municipalities, and Simcoe County”⁸. The review will examine a total of 82 upper and lower-tier municipalities including the Region of Peel and the cities it incorporates. The onset of the external review has translated into a great deal of uncertainty for the Region. The Region will “continue to deliver services to the community and plan for the its future”⁹.

3.2.4 Employment Services Model

In July 2019, the Province announced the launch of a new employment services model which will align the needs of the local economy with the community it serves. Service system managers will plan and deliver employment services and will receive funding based on results achieved¹⁰. The new model may prove positive for Peel as it aims to be a more efficient system to meet the needs of businesses, the community and job seekers.

3.3 Negative Publicity

In March 2019, the Region experienced a privacy breach where limited personal information of approximately 13,000 individuals on a wait list for Regional services was mistakenly posted on a mapping website used for creating and sharing digital maps. The information contained names, addresses and family size, and was labelled on the site as “Resident Waitlist”. It was originally posted on June 8, 2018. Upon discovery, Region immediately removed the map from the website.

**APPENDIX I
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Protecting the Region's electronic data and information from cyber-attacks is assessed as a very high risk. The Region like other organizations will continue to have exposure to cyber-attacks. From the finalization of the initial 2017 Corporate Risk Profile until June 2019, there was one attempted cyber intrusion; which was unsuccessful. The Region like all other organizations is exposed to continued phishing and whaling attacks where potential attackers attempt to defraud the Region. The executive leadership team is the intended target for these attacks.

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4 Mitigation Plans and Risk Managers

The following table provides information on mitigation plans and the identified risk managers.

Table 5

No.	Risks	Mitigation Plans	Risk Manager(s)
1	Social Cohesion and Intolerance	<p>External risk</p> <p>The Region has actions in place and further actions to be developed that may reduce the impacts of this risk should it materialized. They are outlined as follows:</p> <p>Peel Art Gallery Museum and Archives (PAMA) exists to share the story of Peel by providing diverse opportunities to creative exploration and discussion to help build a cohesive community.</p> <p>The Community Safety and Well-Being Plan – The Region is required by legislation to adopt a Community Safety and Well-Being Plan by January 1st, 2021. The plan requires the Region to work with local partners to formalize working relationships and advance community safety and well-being.</p>	Director, Community Connections & Medical Officer of Health
2	Economic Downturn	<p>External risk</p> <p>The Region's Long-Term Financial Sustainability strategy and Financial Management Bylaw are designed to protect Peel's financial flexibility during economic downturns</p>	Commissioner, Finance and Chief Financial Officer
3	Changing Government Policies and Levels of Government	<p>External risk</p> <p>Region to continue to work with the Association of Municipalities Ontario (AMO) and Federation of Canadian Municipalities (FCM), among others, to educate senior leaders of government on the risks (for example fiscal sustainability, governance, etc.) to municipalities.</p>	
4	Changing Employment and Impacts of Automation	<p>External risk</p> <p>Region engaged Mowat Centre to conduct a socio-economic study to understand the long-term financial sustainability implications of a changing nature of employment. Region to continue to work with the Association of Municipalities Ontario (AMO) and Federation of Canadian Municipalities (FCM) to educate senior leaders of government on the risks of municipal fiscal sustainability and advocate for a fair share of economic growth and prosperity.</p>	Commissioner, Finance and Chief Financial Officer
5	Negative Publicity	External/Internal risk existing in the environment.	

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No.	Risks	Mitigation Plans	Risk Manager(s)
		<p>Privacy Region is currently reviewing internal practices for handling personal information and will implement changes to reduce the risk of privacy breach incidents</p> <p>Marketing and Communications The Region uses media monitoring tools on topics or themes of interest and reviews its dash board to determine if any action is required to minimize exposure to the Region’s reputation. Actions may include:</p> <ul style="list-style-type: none"> • Reaching out to author to correct facts • Reaching out to social media to report abuse and close social media accounts • Issuing media releases <p>The Region has developed a social media policy for employees that provides expected behaviours for employees which include disciplinary actions if required.</p> <p>Region has a plan to market Regional services and its impacts on Peel Community to inform the public.</p>	<p>Regional Clerk (Risk Manager)</p> <p>Director, Marketing and Communications (Risk Monitor)</p>
6	Cyber Attacks	The Region continues to implement security measures to mitigate the risks associated with cyber-attacks. Further discussion may be held in camera.	Director, IT Operations
7	Ineffective Growth Management Planning	<p>An integrated approach to growth planning has been implemented. The following four separate but related committees have been established to discuss issues, trends and forecasts:</p> <ul style="list-style-type: none"> • Growth Management Core Team (internal stakeholders), • Inter-Municipal Working Group (Caledon, Brampton, Mississauga and Regional internal stakeholders), • Development Industry Working Group (Internal & municipal stakeholders along with development industry representatives) and • Steering Committee (Finance & Public Works Commissioners and Directors from the Core team). <p>Comprehensive models are in place to respond to changes in growth forecasts which impact capital planning and spending.</p> <p>Additionally, the Commissioner Public Works mandate includes advancing the Regional Official</p>	Chief Planner and Director, Regional Planning and Growth Management

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No.	Risks	Mitigation Plans	Risk Manager(s)
		<p>Plan studies and related amendments in time to conform with the Provincial Growth Plan deadlines and ensure that Peel's communities are complete and sustainable for residents and businesses.</p> <p>Target Completion: July 2022</p>	
8	Competition for Talent	<p>Human Resources (HR) mandate is to partner with clients to enable achieving business outcomes and create a positive employment experience that is built on trust, respect and teamwork. HR will continue to develop/support its clients on an on-going basis.</p> <p>Major strategies are being developed which include:</p> <ul style="list-style-type: none"> - Employee Development Developing strategies for leadership and employee development to ensure employees have skills to deliver on services and Strategic Plan outcomes. This includes but not limited to: <ul style="list-style-type: none"> o New employee on-boarding program o Career growth management (pilot) o Learning assignments <p>Target Completion: December 2022</p> <ul style="list-style-type: none"> - Retention The HR will continue to ensure market wages for Regional employees and opportunities for job enrichment through learning assignments and employee development program. - Succession Planning The succession planning strategy development is a current ELT organizational priority. The performance management program has already been developed and implemented. HR will continue to mature the performance management program to optimize staff skills to achieve business outcomes. Further, HR is evaluating various options to design and deliver a comprehensive approach to succession planning in order to ensure the Region has developed skilled and productive employees necessary to meet its future needs. <p>Target Completion: On-going</p>	Director, Human Resources
9	Absence of Information	<p>The mitigation activities for absence of information risk are two folds:</p> <ul style="list-style-type: none"> a) Corporate wide Information Management Strategies i.e. developing governance framework, strategies, tools and 	Director, Information Management (IM)

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No.	Risks	Mitigation Plans	Risk Manager(s)
		<p>methodology to ensure information is reliable and available in a timely manner; and</p> <p>b) Implementation and adoption by information custodians and user groups i.e. implementing framework, strategies, tools and methodology to ensure information is reliable and available in a timely manner.</p> <p>The following corporate wide strategies are in progress to facilitate timely access to information. These strategies will only be effective when it is fully adopted by information custodians and users:</p> <ul style="list-style-type: none"> • Electronic Content Proposal– It aims to provide a framework for the Region of Peel’s approach to managing information as a critical corporate asset. It will provide clear direction and guide how Regional staff will easily file, find and share their documents and records, regardless of format. <p>This Proposal has been complete and now sets the direction for the optimal use of Regional content. Implementation is in progress.</p> <p>Target Completion: December 2022 (Director IM will provide progress update on an annual basis)</p> <ul style="list-style-type: none"> • Enterprise Business Intelligence Strategy – It aims to guide the organization’s advancement in the management, analysis and reporting of data, resulting in increased evidence informed decision-making to achieve outcomes. The Strategy is complete and approved by the Leadership Team. <p>Implementation of this Strategy will currently focus on two service areas: Homelessness and Corporate Performance. A Proof of Value (POV) and its enabling components is currently under development for Homelessness.</p> <p>Target Completion: July 2020</p> <p>IM will continue to advance this work in an incremental manner to other services.</p> <p>(Director IM will provide progress update on an annual basis).</p>	<p>Service managers and Information custodians</p>

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No.	Risks	Mitigation Plans	Risk Manager(s)
10	Outdated Technology	<p>The following strategies are in progress to sustain/maintain legacy Information Technology systems:</p> <p>Operating System Upgrade Upgrading unsupported operating systems to newer supported versions. This work is continuing to upgrade or decommission unsupported operating systems.</p> <p>Target Completion: On-going</p> <p>Migrate outdated and risky systems Prioritize migration from outdated and risky applications/systems to modern applications/systems.</p> <p>Target Completion: On-going</p> <p>The Digital and Information Services Department has created a unified and validated view of business capabilities that will be used to align the initiatives, investments and strategy for the IT department to develop new or enhance existing IT capabilities (source Info tech Target State Architecture)</p>	Director, IT Operations
11	Climate Change and Environment	<p>Build environmental resilience is a Term of Council Priority. The Regional Council has endorsed a Statement of Commitment outlining guiding principles and desired outcomes related to climate change mitigation and adaptation. To complement Council’s stated commitment, the Region is actively embedding climate change considerations into existing tools that promote accountability (e.g. including climate change as a lens of Corporate Social Responsibility into Commissioner Mandate Letters) and processes that impact in-year decision-making or longer-term planning (e.g. identifying climate change as a strategic issue for budget and asset management planning). These are examples of institutionalizing the ongoing need to address climate change risks and will serve to reinforce how everyone individually and collectively has a role to play in reducing greenhouse gas emissions and ensuring Regional services and assets are resilient to climate change and impacts of extreme weather.</p> <p>Target Completion: Complete and on-going</p> <p>To help guide our collective priorities, a 10-year</p>	Director, Climate Change and Energy Management

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No.	Risks	Mitigation Plans	Risk Manager(s)
		<p>Corporate Climate Change Master Plan is being developed to include tangible actions that will result in meaningful and measurable climate change risk-reduction outcomes.</p> <p>Target Completion: Complete</p> <p>Implementation Target Completion: December 2029</p> <p>The Region is working to mitigate the impacts of Climate Change related to basement flooding. To build on existing programs already having an impact in the community, the Region has developed a comprehensive strategy to address the impacts of inflow and infiltration into the sanitary sewer system. The Inflow and Infiltration Reduction and Mitigation Strategy includes many program areas such as:</p> <ul style="list-style-type: none"> • Research and data analysis in order to prioritize the program; • Development of new operations and design standards based on best practices; • Rehabilitation of the existing system and construction of new and upsized assets; and • Community outreach programs <p>Implementation of Strategy is a continuing and collaborative effort between the Region of Peel, local municipalities and the conservation authorities.</p> <p>Target Completion: Strategy for Inflow and Infiltration is complete; Implementation of strategy is On-going</p>	<p>General Manager, Water & Wastewater</p>
12	Absence of Contract Management and Oversight	<p>There are processes in place that help ensure vendors or community partners are hired/ engaged to deliver services or products to agreed costs and/or specification. The Procurement division works collaboratively with user divisions and Legal Services by:</p> <ul style="list-style-type: none"> • Assisting users in developing procurement document (specifications, pricing, terms and conditions, mandatory requirements etc.) • Ensuring the vendor meets all the mandatory requirements prior to moving to evaluation phase. • Provide users tools to capture Vendor Occurrences and Client Satisfaction • Provide Vendor Performance Management Framework to users to consistently evaluate 	<p>Director, Procurement and Head of User Division/Department</p>

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No.	Risks	Mitigation Plans	Risk Manager(s)
		<p>vendor performance and to inform eligibility of vendors to participate in future bidding opportunities and to be awarded future contracts</p> <p>User Division manages contract or agreement as per the agreed upon terms and conditions and manage vendors' or community partners' performances.</p>	
13	Ineffective Design and Implementation of Business Services and Processes	<p>Improve service and confidence is a Term of Council Priority. To manage the risk of ineffective design and implementation of business services and processes, the following strategies are in progress to help ensure that Regional services are easy to access, service requests are met through each interaction and employee needs are met:</p> <p>External Web site Modernization Work in progress to modernize the Region of Peel's external website.</p> <p>Internal Website Modernization Work is underway to implement SharePoint for Pathways.</p> <p>Service Delivery Modernization Service managers are reviewing their service delivery for improvements as part of the new Term of Council Priority.</p>	<p>Director, IT Solutions & Director Marketing and Communications</p> <p>Service Managers</p>
14	Absence of Infrastructure and Asset Planning	<p>The Region complies with the:</p> <ul style="list-style-type: none"> • Provincial asset management regulation • Corporate Asset Management Policy and Council approved service level standards • Long Term Financial Planning Strategy • Application of annual Infrastructure Levy <p>The risk assessment and the Status of infrastructure Reserves is updated annually. Reports summarizing the results of the analyses are provided to Regional Council as part of the budget deliberation.</p> <p>The Region is in a process of updating and modernizing the asset management analytical tools that will enable effective and efficient management of the assets.</p>	Director, Asset Management
15	Health and Safety	The Region is in the process of developing a robust and integrated corporate health and safety management system to help ensure that the Region has a healthy, safe and resilient workforce. The development of the Region's health and safety program will take several years to build.	Director, Human Resources

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No.	Risks	Mitigation Plans	Risk Manager(s)
		<p>The 2018 work plan included the following:</p> <ul style="list-style-type: none"> • Policies, Procedures and Program Updates - Complete • Joint Health & Safety Committee Optimization - Complete • Health and Safety Training – on-going • Security and Emergency Management <ul style="list-style-type: none"> ○ Development of emergency protocols – Complete ○ Identification of security risks and mitigation strategies, gaps and opportunities for improvements – Complete <p>Implementation will continue in 2019</p> <ul style="list-style-type: none"> • Risk Assessments <ul style="list-style-type: none"> ○ Security risk assessment - Complete ○ Violence risk assessment – Complete <p>Risk assessments will continue in 2019</p> <ul style="list-style-type: none"> • Psychological Health Training – Development of training and support plans - Complete. <p>Implementation will continue in 2019</p> <ul style="list-style-type: none"> • Departmental/Divisional Health & Safety Management Systems - On-going • Optimization of Occupational Health & Safety Software System and Processes <p>Region will continue to mature its Health and Safety program.</p>	

5 Impact of Risks to the Region’s Strategic Plan

The Region of Peel Strategic Plan includes both short-term, Term of Council Priorities, and long-term Strategic outcomes that should enable the Region to achieve its vision “Community for Life”. The risks identified in the Corporate Risk Profile if materialized may impede or delay the progress to achieve the Region’s strategic outcomes.

Though the risks presented in the Corporate Risk Profile, appear linear in nature, it is important to note that the risks are not mutually exclusive and that an occurrence of one risk may impact another, for example the changes to the climate may impact Regional infrastructural assets.

6 Risk in Focus – Climate Change

Enterprise Risk Management leveraged analysis performed by the Office of Climate Change and Energy Management at the Region. These analyses provide a better

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understanding of the interconnectivity of various corporate risks to climate change risks and the impact of extreme weather events on Regional Services. Please refer to Appendices 9.2 Climate Change Interconnectivity and 9.3 Climate Change Impacts to Services.

7 Global Risks ¹¹

The World Economic Forum is an International Organization established for Public-Private Cooperation. Each year the World Economic Forum releases a Global Risk Report (Report). The Report focuses its attention to evolving global risks. A “global risk” is defined as an uncertain event or condition that, if it occurs, can cause significant negative impact for several countries or industries within the next 10 years.

The Report includes a top ten list of risks from both a likelihood and impact perspective. Similar risks that were reported in 2018 continue to dominate 2019. It is worth noting that five of the top ten risks in terms of likelihood and five of the top ten risks in terms of impact are environmental risks, specifically around the failure of climate-change mitigation and adaptation. Extreme weather events are noted as the top risk in terms of likelihood.

Though the Report tends to focus on structural issues, noted in this year’s Report is the human side of risk. The Report outlines in detail the declining psychological and emotional well-being risk and the impact this risk has on social cohesion and politics. The Report notes that the world is increasingly anxious, unhappy, lonely and angry and that a feeling of ‘loss of control’ under uncertainty may be the strongest contributor to these feelings.

Other risks noted in the Report that aligned to the Region’s corporate risk include: cyber- attacks, data loss and fraud, economic downturn, and climate change.

8 Summary and Next Steps

The Corporate Risk Profile entails key risks to the Region that may impact achieving its Strategic Plan outcomes. The Profile is a strategic planning resource that may be used in decision-making for planning, budgeting and resource allocation decisions.

Existing mitigation plans to address the risks are included in the Profile as well as plans that are currently underway. It is important to note that the mitigation plans have not been audited and therefore no assurance is provided on the Profile. Mitigation plans are an assertion of management.

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Enterprise Risk Management will continue to update the Corporate Risk Profile annually and report to the Audit and Risk Committee and Council accordingly.

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9 Appendices

9.1 Glossary




- a) Corporate Risk - A corporate risk is defined as an uncertain event causing significant negative impact for an organization due to **internal** and/or **external** risks that may impact its ability to deliver on its strategic plan outcomes and/or erode trust and confidence of stakeholders.
- b) External Risk - The risks stem from the external environment in which the Region operates and where the Region may not have the ability to mitigate. Such risks manifest outside the Region but may have significant impact on the Region's ability to deliver on its Strategic Plan outcomes.
- c) Internal Risk - The risks are internal to the organization, where the Region may have the ability to reduce the likelihood and/or the impact of the risks.



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9.2 Climate Change Interconnectivity to Corporate Risks

The following outlines results from a review of existing corporate risks that may be amplified by climate change related risks.

Results are based on a qualitative review of corporate climate change risks (2017), summary of climate change impacts to services (2019), evidence review (2019), and subject matter expertise from the Office of Climate Change and Energy Management (OCCEM).

	Directly impacted by climate change Amplifying or adding additional risk
	Indirectly impacted by climate change Amplifying or adding additional risk
	No known interconnectivity with climate change risks

No.	Corporate Risks	Definitions	Internal/ External	Potential Climate Change Related Risks (and Opportunities)
1.	 Social Cohesion and Intolerance	Erosion and breakdown of social cohesion and growing intolerance in the community and its impact on the Region’s ability to achieve its strategic outcomes.	External	<ul style="list-style-type: none"> Increased catastrophic losses in country of origin leading to reduced mental health of residents¹². Increased disasters (e.g. forest fires) leading to increased human displacement and refugees seeking sanctuary in Peel Region¹³. Impacts from flooding (or extreme weather) increasing uninsurable property losses and costs, exacerbating social division between those that can and cannot afford to re-build¹⁴. Reduced mental health (particularly among young people) due to inadequate government action (perceived and real), increasing political polarization and exacerbating social division¹⁵. Increased social isolation of vulnerable populations (seniors, marginalized, low income) increasing vulnerability to extreme weather events (heat, floods).¹⁶ Increased opportunities to enhance social cohesion by increasing awareness of local climate change risks / vulnerabilities and programs available to reduce community exposure to hazards.
2.	 Economic Downturn	Downward shift in the economy could cause an increase in service demand and a loss of	External	<ul style="list-style-type: none"> Costs from climate change, increasing demand on service and reducing Peel’s ability to maintain infrastructure and assets to current levels without significant investment beyond current planned

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No.	Corporate Risks	Definitions	Internal/ External	Potential Climate Change Related Risks (and Opportunities)
		revenue for the Region.		<p>capital works¹⁷.</p> <ul style="list-style-type: none"> • Reduced capacity to protect communities and businesses from impacts of extreme weather events leading to increased losses and liability¹⁸. • The Region's Industries and business are likely to face increased energy and transitional costs due to dependency on fossil fuels.
3.	Changing Government Policies and Levels of Government	Impact of significant changes in other levels of government or its policies on Regional services.	External	<ul style="list-style-type: none"> • Changes in environmental and climate change policy direction alter how Regional programs intended to address climate change are funded and prioritized. • Inability of the Region to stay current with federal and provincial climate change policy potentially limiting access to infrastructure dollars (and increase borrowing costs). • Inconsistent and mixed government messages or policies increasing confusion among the public and staff. • Changes in provincial regulations altering building codes, land use planning policies may pose challenges to the Region to meet GHG reduction targets and implement innovative policy through growth planning and official plan policy. • Growing public demand or potential future government requirement to disclose climate related financial risks (both physical and transitional) in advance of the Region's readiness to disclose has implications to municipal bond ratings^{19 20} • Increasing financial contribution from municipalities to cover natural disaster relief due to federal policy changes²¹
4.	Changing Employment and Impacts of Automation	Changing nature of employment including the impact of automation on the labour force.	External	<ul style="list-style-type: none"> • Inability to rapidly shift towards low carbon technological advances may limit the ability of the Region to substantially reduce GHG emissions and meet corporate targets. • Increased investments in green infrastructure and renewable energy technology presents opportunities for local employment, training and economic growth.²² • The Region, Industries and business are likely to face increased capital and energy costs, and transitional risks due to

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No.	Corporate Risks	Definitions	Internal/ External	Potential Climate Change Related Risks (and Opportunities)
				adapting to a low-carbon economy; some costs to shift towards net-zero emissions may become higher if delayed (e.g. new construction vs. more expensive retrofits) ²³ .
5.	Negative Publicity	Actions taken by employee(s) and /or the members of public through various media channels (social media) may harm or compromise the Region's reputation.	External/ Internal	<ul style="list-style-type: none"> • Inaction perceived or real, on climate change may negatively impact Peel's reputation. • Actions taken to address climate related risks and reduce GHG emissions increase opportunities to be more transparent, open, and engaged in public discourse through multiple media channels.
6.	Cyber Attacks	Inability to protect the Region's electronic data and information from cyber-attacks.	External	No known interconnectivity with climate change risks
7.	Ineffective Growth Management Planning	Impact of inaccurate growth forecasts on Regional growth management plans.	External/ Internal	<ul style="list-style-type: none"> • Inaccurate, inconsistent, or lack of use of climate change related information in managing growth (e.g. risks and vulnerability assessments/ flood and heat maps; GHG inventories) could lead to gross underestimates of cost to become resilient, exacerbate climate change related risks, increase energy use and costs to current and future residents. • Evidence informed decisions and applying a climate change lens would place the Region at a strategic advantage for future development and investment by reducing lifecycle costs of infrastructure and assets and increase community resiliency to climate change impacts.²⁴
8.	Competition for Talent	Competition to recruit and retain the right talent. Knowledge loss as a result of baby boomers' retirements.	External/ Internal	<ul style="list-style-type: none"> • Inaction on climate change, perceived or real, could impact a potential employee's perception of the Region as a preferred employer, and reduce staff retention.²⁵ • Recruiting and retaining employees who are knowledgeable about climate change ensures Regional capacity is enhanced and sustained. • Opportunities for training in climate change planning and action is increasingly being provided by professional associations (e.g. Engineers Canada, Chartered Professional Accountants of Canada, Canadian Association of

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No.	Corporate Risks	Definitions	Internal/ External	Potential Climate Change Related Risks (and Opportunities)
				Professional Planners, Ontario Public Health Association.)
9.	Absence of Information	Absence of timely pertinent, consistent and accurate information to support decision making.	Internal	<ul style="list-style-type: none"> • Maintaining current and accurate decision ready climate change information is increasingly challenging in a rapidly evolving field. • Lack of access to data to measure and report Peels performance of increasing Regional resiliency to climate change. • Moves towards open data platforms may increase public awareness of decisions / policies that don't adequately incorporate climate change. • Opportunity to innovate and develop decision support tools such as customizable risk maps or scenarios.
10.	Outdated Technology	Region's inability to sustain/ maintain legacy Information Technology systems. The inability to keep pace with the emerging technologies and ensure alignment with business processes and people's skills.	Internal	<ul style="list-style-type: none"> • Inability to incorporate critical climate change information into legacy IT systems and Enterprise Asset Management planning leaving gaps in decision making support tools • Opportunity to deepen investment in new electrical technology that is highly efficient and lowers consumption. • Opportunities to maintain business continuity and worker safety during increased service disruption associated with extreme weather (e.g. flooding, wind or ice storms) provided staff have secure reliable and mobile technologies so they can work remotely. • Higher reliance on technology infrastructure requiring electricity may expose the Region to greater service disruption during more frequent power outages coinciding with extreme weather events.
11.	Climate Change and Environment	<p>Inability to manage/adapt to the impact of climate change that could significantly affect the Region's finances and service delivery.</p> <p>Inability to manage the negative impact on the</p>	External/ Internal	

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No.	Corporate Risks	Definitions	Internal/ External	Potential Climate Change Related Risks (and Opportunities)
		environment due to Regional hazardous discharge from its various services (Regional environmental foot print).		
12.	Absence of Contract Management and Oversight	Inability of vendors and/or community partners to deliver services or products to agreed costs and/or specifications.	External/ Internal	<ul style="list-style-type: none"> Infrastructure and service costs could increase should resources become more scarce or expensive due to climate change (e.g. increasing cost of carbon along a supply chain).
13.	Ineffective Design and Implementation of Business Services and Processes	<p>Inability to modernize service delivery - this may include but not limited to technological advancement, innovation, transformation to support the needs of the community and employees.</p> <p>Inability to achieve the expected value from the outcomes – for example, inadequate needs identification, ineffective project management, unable to work collaboratively, unable to dedicate required resources.</p>	Internal	<ul style="list-style-type: none"> Increased unplanned service demands and damage/disruption from weather related emergencies may limit opportunities or delay pace to modernize services and innovate. (i.e. permanent reactive state) Lack of integration of climate change considerations that affect employee health and work experience may exacerbate the risks related to inability to achieve expected values from Modernized Service Delivery.
14.	Absence of Infrastructure and Asset Planning	Inability to maintain new and existing infrastructure could impact the Region's ability to maintain levels of services currently provided by the	Internal	<ul style="list-style-type: none"> Numerous high and very high climate change risks identified by staff will very likely impact Peel owned and operated assets an infrastructure through increased maintenance costs, reduce life of the assets and increased liability. Increased risks to the Region’s critical infrastructure.

**APPENDIX I
CORPORATE RISK PROFILE**

No.	Corporate Risks	Definitions	Internal/ External	Potential Climate Change Related Risks (and Opportunities)
		Region.		<ul style="list-style-type: none"> Changes in provincial policy and regulations now require climate change considerations to inform municipal asset management planning; opportunity to address the expected increase in costs and performance requirements of assets.
15.	Health and Safety	Impact of Region's inability to maintain health and safety practices at the Region's workplace (including violence and harassment).	Internal	<ul style="list-style-type: none"> More heat waves increasing heat related illness among staff working outdoors, reducing productivity and increasing benefit payouts Increased frequency and severity of extreme weather events leading to increased demands on regular and emergency services, increasing stress and workload of staff; recovery time between events may be limited resulting in decreased staff productivity over time. More intense rainfalls increasing flooding, reducing road safety and risks for staff working outdoors and commuting to work; increasing insurance claims and liability; increasing staff vacancies and reducing retention. More ice and wind storms increasing risk of vehicular accidents increasing property damage; staff injury; workplace safety; liability; employee absenteeism and vehicle repairs. Increased exposure to vector borne disease increasing risk of infection for outdoor workers Generally, staff are likely to become more stressed and less productive.

APPENDIX I CORPORATE RISK PROFILE

9.3 References

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- ¹ <https://www.tvo.org/video/a-new-breed-of-white-nationalism>
- ² <https://www.peelpoliceboard.ca/en/board-meetings/reports.aspx>
- ³ http://peelregion.ca/finance/_media/rethinking-municipal-finance-new-economy.pdf
- ⁴ <https://www.tvo.org/video/a-new-breed-of-white-nationalism>
- ⁵ 2019.05.09 Council Agenda (pg. 62 - 99)
- ⁶ 2019.04.24 Council Agenda (pg. 194 - 195)
- ⁷ <https://www.mississauga.com/news-story/9450455-peel-public-health-plans-for-the-changing-landscape-of-health/>
- ⁸ <https://www.ontario.ca/page/regional-government-review>
- ⁹ May 27, 2019 email from David Szwarc - Council Discussion on the Ernst & Young (EY) Report
- ¹⁰ <http://www.fastbinder.com/delivery/63239/166658/2FAE590-3.pdf>
- ¹¹ Source: *The Global Risks Report 2019*, World Economic Forum, Switzerland, 2019.
- ¹² Hayes, K., Blashki, G., Wiseman, J., Burke, S., & Reifels, L. (2018). Climate change and mental health: risks, impacts and priority actions. *International journal of mental health systems*, 12, 28. doi:10.1186/s13033-018-0210-6
- ¹³ <https://www.bramptonguardian.com/news-story/9504121-peel-prepared-to-host-evacuees-from-fire-threatened-northern-ontario/>
- ¹⁴ <https://www.cbc.ca/news/business/it-s-a-problem-for-society-climate-change-is-making-some-homes-uninsurable-1.5173697>
- ¹⁵ CPHA (2019) Draft Position Statement: Climate Change and Human Health
<https://www.cpha.ca/sites/default/files/uploads/conferences/2019/PF-Draft-Position-Statement-Climate-Change.pdf>
- ¹⁶ <https://www.thestar.com/opinion/contributors/2019/07/04/older-people-are-at-greater-risk-from-climate-change.html>
- ¹⁷ <https://www.canadianunderwriter.ca/insurance/ibc-study-estimates-future-costs-of-specific-severe-weather-events-stemming-from-climate-change-1003936301/>
- ¹⁸ https://uwaterloo.ca/partners-for-action/sites/ca.partners-for-action/files/uploads/files/p4a_front_lines_of_the_flood_04jul16.pdf
- ¹⁹ <https://www.moodyanalytics.com/-/media/article/2019/economic-implications-of-climate-change.pdf>;
<https://business.financialpost.com/pmnp/press-releases-pmnp/business-wire-news-releases-pmnp/moody-acquires-majority-stake-in-four-twenty-seven-inc-a-leader-in-climate-data-and-risk-analysis>

APPENDIX I
CORPORATE RISK PROFILE

²⁰ <https://ca.reuters.com/article/esgNews/idINKCN1UQ28K>

²¹ Daniel Henstra and Jason Thistlethwaite (2017) "Climate Change, Floods, and Municipal Risk Sharing in Canada". Institute on Municipal Finance and Governance

²² <https://www.cbc.ca/news/technology/climate-change-mitigation-co-benefits-1.5205552>

²³ BMO -FOCUS article "Climate Change and Financial Stability". June 28, 2019

²⁴ <https://www.cbc.ca/news/technology/climate-change-mitigation-co-benefits-1.5205552>

²⁵ Surveys conducted with staff in 2017 found the majority indicated it was *extremely important* to work for an organization that demonstrated leadership on climate change.

Corporate Risk Profile


Enterprise Risk and Audit Services

Michelle Morris, Director, Enterprise Risk and Audit Services &
Anila Lalani, Advisor, Enterprise Risk Management

Region of Peel



Management of the Region's key risks can assist in achieving the Region's strategic outcomes.



Agenda

- 1. Corporate Risk Profile*
- 2. Corporate Risk Profile Usage*
- 3. Risk Realized*
- 4. Inter-connectivity Analysis*
- 5. Next Steps*
- 6. Questions/ Discussion*

Corporate Risk Profile

A communication tool that identifies key risks (internal and external) facing an organization.

Corporate Risk

A corporate risk is defined as an uncertain event that may cause a significant negative impact for an organization due to internal and/or external risks and may impact an organization's ability to deliver on its strategic plan outcomes and/or erode trust and confidence of stakeholders.

Corporate Risk Profile 4.3-41

Strategic Risks	Operational Risks	Reputational Risks
<p>Risks that may prevent an organization from meeting strategic objectives and outcomes and or loss resulting from lack of response to the changing business environment</p>	<p>Risk of loss from people, systems, and internal procedures (day-to-day risks)</p>	<p>Risk associated with negative publicity, perceived or real regarding Regional business practices</p>
<ul style="list-style-type: none"> • Social Cohesion and Intolerance • Economic downturn • Changing Government Policies • Changing employment and impacts of automation • Climate Change • Absence of Infrastructure and Asset Planning 	<ul style="list-style-type: none"> • Cyber attacks • Ineffective Growth Management Planning • Competition for Talent • Absence of Information • Outdated Technology • Absence of Contract Management and Oversight • Ineffective Design and Implementation of Business Services and Processes • Health and Safety 	<ul style="list-style-type: none"> • Negative Publicity

Corporate Risk Profile Usage

1. Key input into strategic planning
2. Validates risk taking
3. Risk informed decision making
4. Risk, Controls and Value alignment

Risk Realized




- Social cohesion
- Changing government policies
- Negative publicity (privacy breach)
- Cyber attacks



Climate Change Connection: Existing Corporate Risks

Potential interconnectivity between climate change risks and current corporate risks

The following outlines results from a review of existing corporate risks that may be amplified by climate change related risks.

Results are based on a qualitative review of corporate climate change risks (2017), summary of climate change impacts to services (2019), evidence review (2019), and subject matter expertise from the Office of Climate Change and Energy Management (OCCEM).

-  Directly impacted by climate change
Amplifying or adding additional risk
-  Indirectly impacted by climate change
Amplifying or adding additional risk
-  No known interconnectivity with climate change risks

#	Corporate Risks	Definitions	Internal /External	Potential Climate Change Related Risks (and Opportunities)
1. 	Social Cohesion and Intolerance	Erosion and breakdown of social cohesion and growing intolerance in the community and its impact on the Region's ability to achieve its strategic outcomes.	External	<ul style="list-style-type: none"> • Increased catastrophic losses in country of origin leading to reduced mental health of residentsⁱ. • Increased disasters (e.g. forest fires) leading to increased human displacement and refugees seeking sanctuary in Peel Regionⁱⁱ. • Impacts from flooding (or extreme weather) increasing uninsurable property losses and costs, exacerbating social division between those that can and cannot afford to re-buildⁱⁱⁱ.
2. 	Economic Downturn	Downward shift in the economy could cause an increase in service demand and a loss of revenue for the Region.	External	<ul style="list-style-type: none"> • Costs from climate change increasing demand on service and reducing Peel's ability to maintain infrastructure and assets to current levels without significant investment beyond current planned capital works^{iv}. • Reduced capacity to protect communities and businesses from impacts of extreme weather events leading to increased losses and liability^v. • The Region, Industries and business are likely to face increased energy and transitional costs due to dependency on fossil fuels.

Next Steps

- Continue to monitor corporate risks and report back annually
- The Profile continue to be used as a decision-making tool

Corporate Risk Profile

Thank you and Questions

Contact:

Michelle Morris, Director, Enterprise
Risk and Audit Services

Anila Lalani, Advisor, Enterprise Risk
Management



DATE: September 11, 2019

REPORT TITLE: **ESTABLISHING A TREASURY RISK APPETITE FRAMEWORK**

FROM: Stephen VanOfwegen, Commissioner of Finance and Chief Financial Officer

RECOMMENDATION

That the Region of Peel Treasury Risk Appetite Framework as described in the report of the Commissioner of Finance and Chief Financial Officer, titled “Establishing a Treasury Risk Appetite Framework”, be endorsed;

And further, that the subject report and presentation be referred to the October 10, 2019 Regional Council meeting for approval.

REPORT HIGHLIGHTS

- The Audit and Risk Committee approved the Region of Peel's (Region) Cash Management Strategy (Strategy) in May 2017
- The Treasury Risk Appetite Framework (Framework) identifies risks the Region of Peel is exposed to and aligns the risks to the Region's corporate risk appetite. The Framework will govern the level of risk acceptable by the Region in relation to investment and debt-related activities.
- Application of the Framework indicates that Treasury Services' investment and debt mandates should adopt a moderate risk appetite level, in line with the corporate risk appetite for the Region.
- The Framework will inform future revisions to the Investment Goals and Policies, Debt Management Policy and all decisions as it relates to investment and debt management activities.

DISCUSSION

Background

In May 2017, the Audit and Risk Committee approved the Region of Peel's Cash Management Strategy (Strategy) subsequent to a review and assessment of the Treasury Services' capabilities conducted by Deloitte. The outcome of the review was that the Region has sound practices relative to peer municipalities and revealed that there were opportunities to improve and augment its current practices to potentially generate additional financial returns consistent with an active investment strategy and reduce costs.

4.4-2

ESTABLISHING A TREASURY RISK APPETITE FRAMEWORK

The Strategy identified the following areas of improvement:

- Increase the potential to generate greater financial returns
- Enhance Treasury function practices
- Redefine the Treasury function's mandate

The Framework is a critical step that sets the foundation under which the Treasury function operates. This will set the risk parameters under which investment and debt decisions are made at the Region.

1. TREASURY RISK APPETITE FRAMEWORK

The primary activities within the Treasury Services division relate to cash management and include debt issuance for the Region and local municipalities, and investment management of the reserve and reserve funds. The objectives of cash management are to manage cash flows and ensure liquidity, while maximizing the value of the funds and minimizing the cost of funding the activities of the Region.

The debt management program ensures the Region's financing needs and payment obligations are met at the lowest possible cost over the medium/long term without impairing the Region's financial position.

The objectives of the Region's investment program are to preserve capital, maintain liquidity and earn a competitive rate of return. Cash and short-term investments fund day-to-day operations and temporary financing of capital projects. Long term investments fund future capital expenditures. Sinking funds are monies set aside to retire debt at maturity.

The purpose of the Framework is to set the risk parameters for Treasury activities. The process of arriving at the Framework included: identification of Treasury risks; alignment to the Region's corporate risks and objectives; and, assessment of the impact of changes in risk levels.

The key Treasury risks the Region is exposed to are set out below:

Treasury Risks	Definition	Mitigation
Reputational Risk	Associated with negative publicity, perceived or real regarding Regional business practices	Proper management of liquidity, concentration and market risks will offset this risk
Operational Risk	Loss from people, systems and internal procedures (day-to-day risks)	Proper training, improving on existing systems or sourcing new systems and continually reviewing internal procedures act to offset this risk
Compliance/Regulatory Risk	Non-compliance with laws/regulations or internal policies	Proper segregation of duties and internal controls will offset this risk

4.4-3

ESTABLISHING A TREASURY RISK APPETITE FRAMEWORK

Liquidity Risk	Inability to access or convert to cash on short notice with limited cost	The Region holds cash deposits and securities that can easily be converted to cash to offset this risk
Concentration Risk	Financial loss due to over-exposure to an asset/security, industry or sector	Construction of a well-diversified portfolio helps to offset this risk
Market Risk	Financial loss due to unforeseen changes to credit risk, interest rates and equity (stock) market prices	Internal policies restrict over-exposure to these risks
Interest Rate Risk	Financial loss due to changes in interest rates (could lead to higher borrowing costs, lower yield on fixed income investments)	Treasury leverages the Integrated Financial Planning Framework for longer term planning and is considering the use of bond forwards as a mechanism to lock in interest rates to offset this risk
Credit Risk	Financial loss due to inability to repay borrowed funds	The Region only invests in securities above a certain rating set out in the Investment Policy to offset this risk
Equity Risk	Financial loss due to changes in stock prices as a result of market volatility	As per the Region's Investment Policy, exposure to equity holdings is only permitted up to 10 per cent within the General Fund to offset this risk

2. SETTING TREASURY RISK APPETITE

Utilizing the Framework, analysis of each risk and its impact to the Region was conducted, supplemented by Deloitte's analysis. Feedback from the Treasury Oversight Committee and the Enterprise Risk Management team supported the key Treasury risk continuum remaining within low to moderate. It is recommended that the following Framework be implemented to support and guide the Region's Treasury activities, ensuring alignment with the Region's moderate risk appetite.

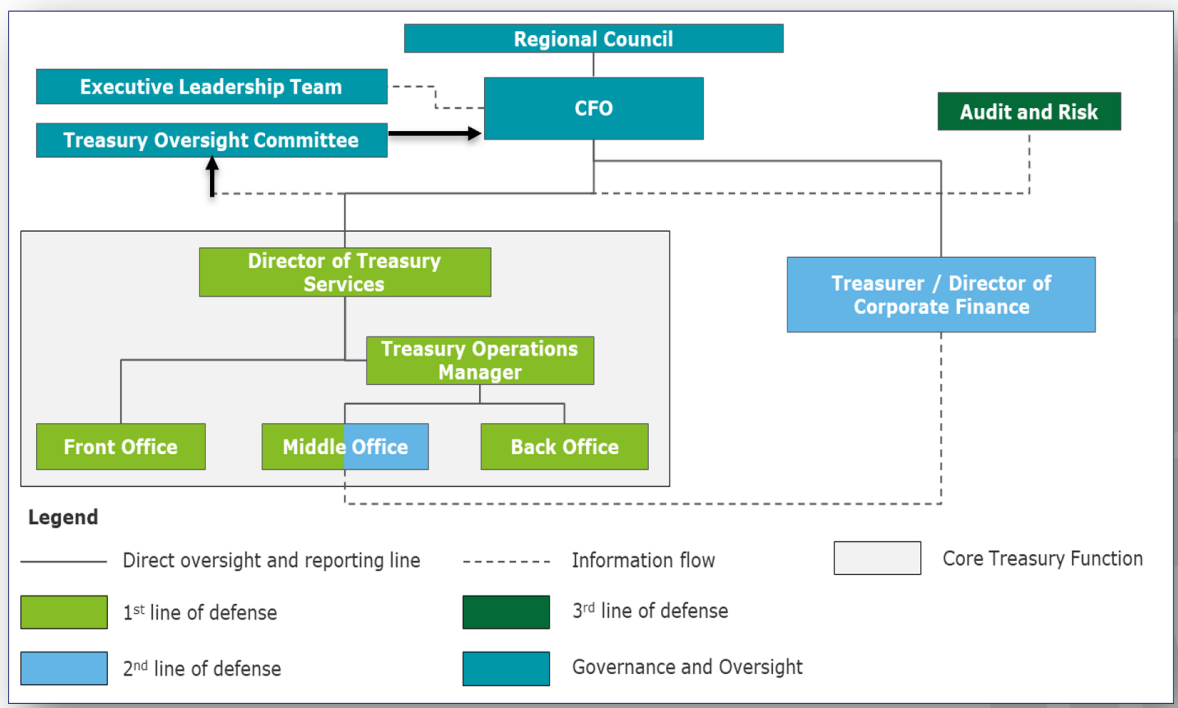
ESTABLISHING A TREASURY RISK APPETITE FRAMEWORK

Treasury Risk Appetite Framework

Low
Moderate
Higher

Low Appetite	Moderate Appetite	Higher Appetite
Reputational Risk	Liquidity Risk	
Compliance/Regulatory Risk	Concentration Risk	
Operational Risk	Market Risk (Interest Rate, Credit, Equity)	

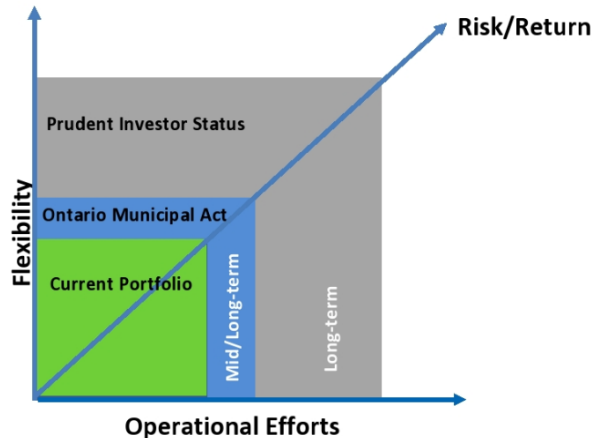
Although primarily financial in nature, mismanagement of liquidity, concentration and market risks may lead to compliance breaches, operational losses and ultimately reputational damage to the Region. In order to effectively monitor and manage Treasury risks, a clearly defined risk management and oversight structure is required. Revisions to the current governance structure as recommended by Deloitte (chart below) establishes three lines of defense to protect the Region from the various risks Treasury is exposed to. The improved governance structure enables the Region to shift from a low level to a moderate level of liquidity, concentration and market risks, ensuring the appropriate level of governance is in place.



4.4-5

ESTABLISHING A TREASURY RISK APPETITE FRAMEWORK

This will allow the Region to take advantage of the new restricted list of investments allowable under the *Municipal Act, 2001* (Act) through revisions to the Investment Policy, thereby utilizing the breadth of investment options available to generate financial returns (moving from the green shaded area to the blue area).



One of the primary objectives in the Act is the preservation of capital and as such, there are no risks classified as high. Overall, as liquidity, concentration, and market risks drive outcomes for the Region to potentially achieve additional financial returns, proper management of these risks are expected to lead to maintaining a low risk appetite for compliance, operational and reputational risks.

3. CASH MANAGEMENT STRATEGY UPDATE

Deloitte's assessment of the Region's current Treasury Services' capabilities revealed sound practices relative to peer municipalities; and identified foundational opportunities to enhance the overall effectiveness of the Treasury function in line with leading corporate practices. Combining Deloitte's analysis with Treasury Services' own assessment of key opportunities, changes are underway in three critical work streams:

- (1) Risk Management
- (2) People, and
- (3) Processes

Key initiatives to date are:

Risk Management (foundational)

- Established Treasury Risk Oversight Committee to strengthen governance and risk management practices;
- Enhanced internal controls over banking activities;
- Improved analytics for the investment portfolio to support investment decisions; and
- Pursuing the use of bond forward derivative agreements to lock-in interest rates for future debt issuance.

4.4-6

ESTABLISHING A TREASURY RISK APPETITE FRAMEWORK

People (foundational)

- Defined Treasury Services' mandate and its roles and responsibilities;
- Eliminated key person risk and succession planning through a structural organizational change and addition of four team members; and
- Segregated duties through clearly defined front office, middle office and back office roles.

Processes (outcomes)

- Improved investment research increasing diversification of investment instruments held;
- Approximately \$6-6.5M expected in additional returns from active investment strategies (mainly due to realized capital gains and additional interest income from High Interest Savings Accounts (HISA) compared to a buy-and-hold investment strategy);
- More efficient liquidity management, generating additional returns on cash;
- Cost savings of approximately \$8,000 by year end through operational efficiencies; and
- Issuance of RFP for Custodial Services (end of August) and a Treasury Management System (end of 2019) to enhance automation and realize process efficiencies.

FINANCIAL IMPLICATIONS

The Framework informs the investment and debt management program. Fully utilizing the investment list within the Act and the implementation of active investment strategies provides more flexibility to increase financial returns, within the risk appetite, on the portfolio over the longer term.

NEXT STEPS

Subsequent to the approval of the Framework, the risk tolerances will be established to set the limits or ranges of the Region's capacity for taking risk. Treasury Services will establish and recommend to Council these limits/ranges through changes to the Investment Goals and Policies and the Debt Management Policy to reflect the risk appetite set out above.

CONCLUSION

The Framework is presented for the Audit and Risk Committee's review and endorsement. The Framework provides a summary of the key risks impacting the Treasury activities of the Region and the recommended level of risk to support enhanced financial returns and reduced borrowing costs. This risk appetite supports the three pillars of financial sustainability, vulnerability and flexibility as described in the Region's Long-Term Financial Planning Strategy.



Stephen VanOfwegen, Commissioner of Finance and Chief Financial Officer

ESTABLISHING A TREASURY RISK APPETITE FRAMEWORK

Approved for Submission:



N. Polsinelli, Interim Chief Administrative Officer

For further information regarding this report, please contact Julie Pittini, Director, Treasury Services, extension 7120, julie.pittini@peelregion.ca

Authored By: Tony Liu

Audit & Risk Committee

Treasury Risk Appetite Framework

Julie Pittini, Director, Treasury Services

Tony Liu, Operations Manager, Treasury Services
Region of Peel

September 19, 2019

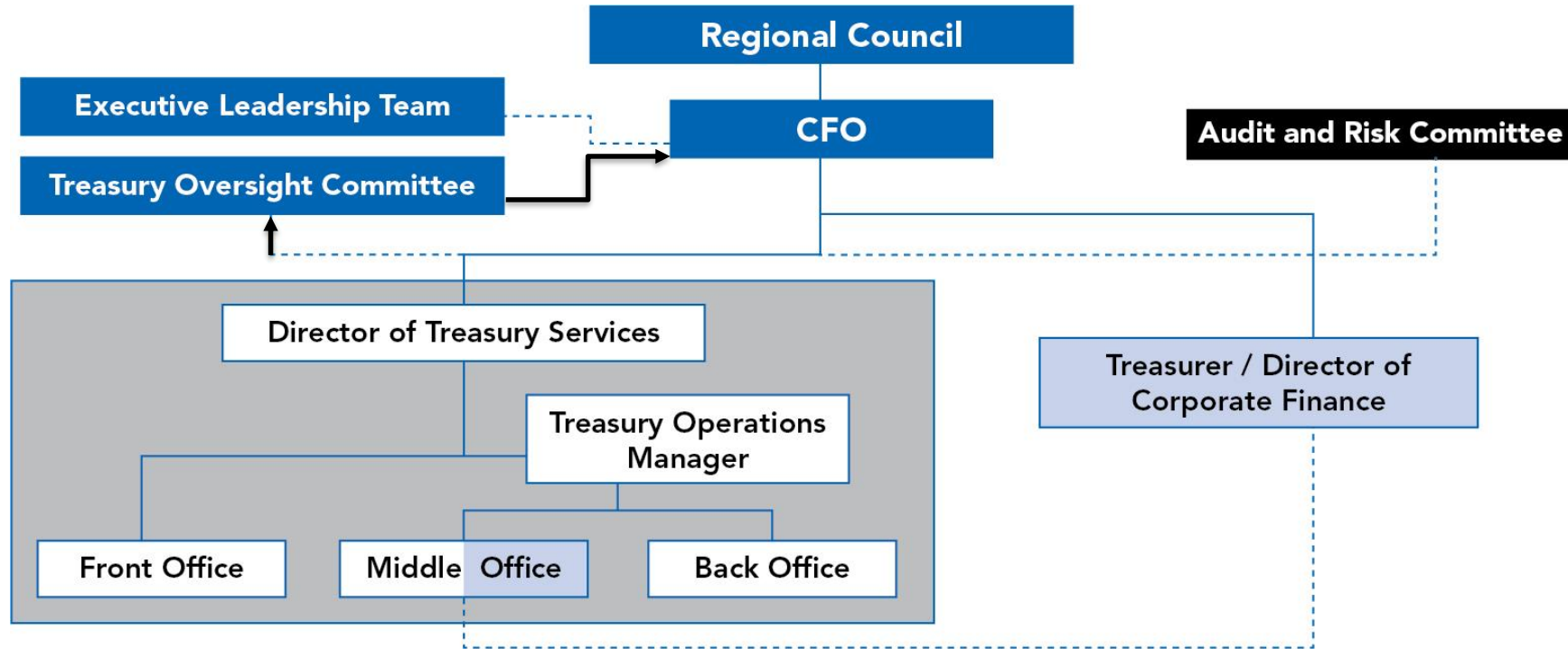


Agenda

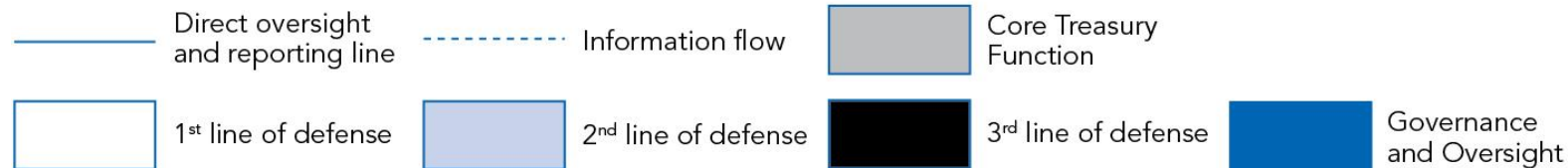
- Governance – Lines of Defense
- Treasury Strategic Objectives
- Defining Risk Appetite
- Region of Peel vs. Treasury Risk Appetite
- Defining Treasury Risks
- Setting Risk Tolerance
- Cash Management Strategy – Update



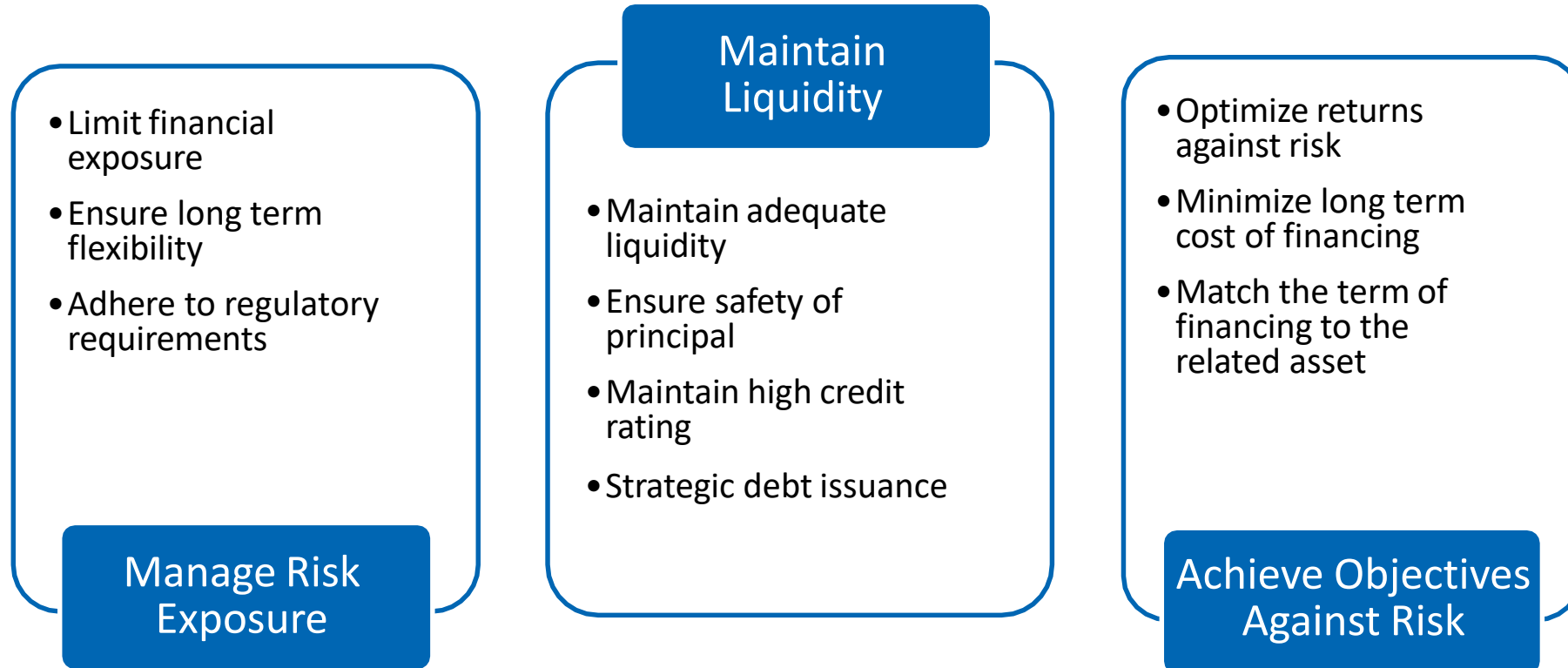
Governance – Lines of Defense



Legend



Treasury – Strategic Objectives



Defining Risk Appetite

Definition:

The nature and the amount of uncertainty an organization is willing to accept in pursuit of value while achieving its strategic intent.*

Why is it Important?

- Sets out the boundary for risk taking
- Sets out scope of its authority for risk taking
- Prioritizes risks and creates appropriate mitigation actions
- Provides a tool for overseeing risk profile
- Informs decision making to ensure alignment with risk profile

*Source: Deloitte


Region of Peel Risk Appetite Framework

← **Low** **Moderate** **Higher** →

Strategic Risks		
Low Appetite	Moderate Appetite	Higher Appetite
Reputational Risk	Governance Risk	Social Risk
Compliance/Regulatory Risk	Economic/Financial Risk	Environmental Risk
	Capital Assets/Infrastructure Risk	Service Delivery Risk
Philosophy		
Manage risk	Maintain risk	Take appropriate risk

Treasury Risk Appetite Framework

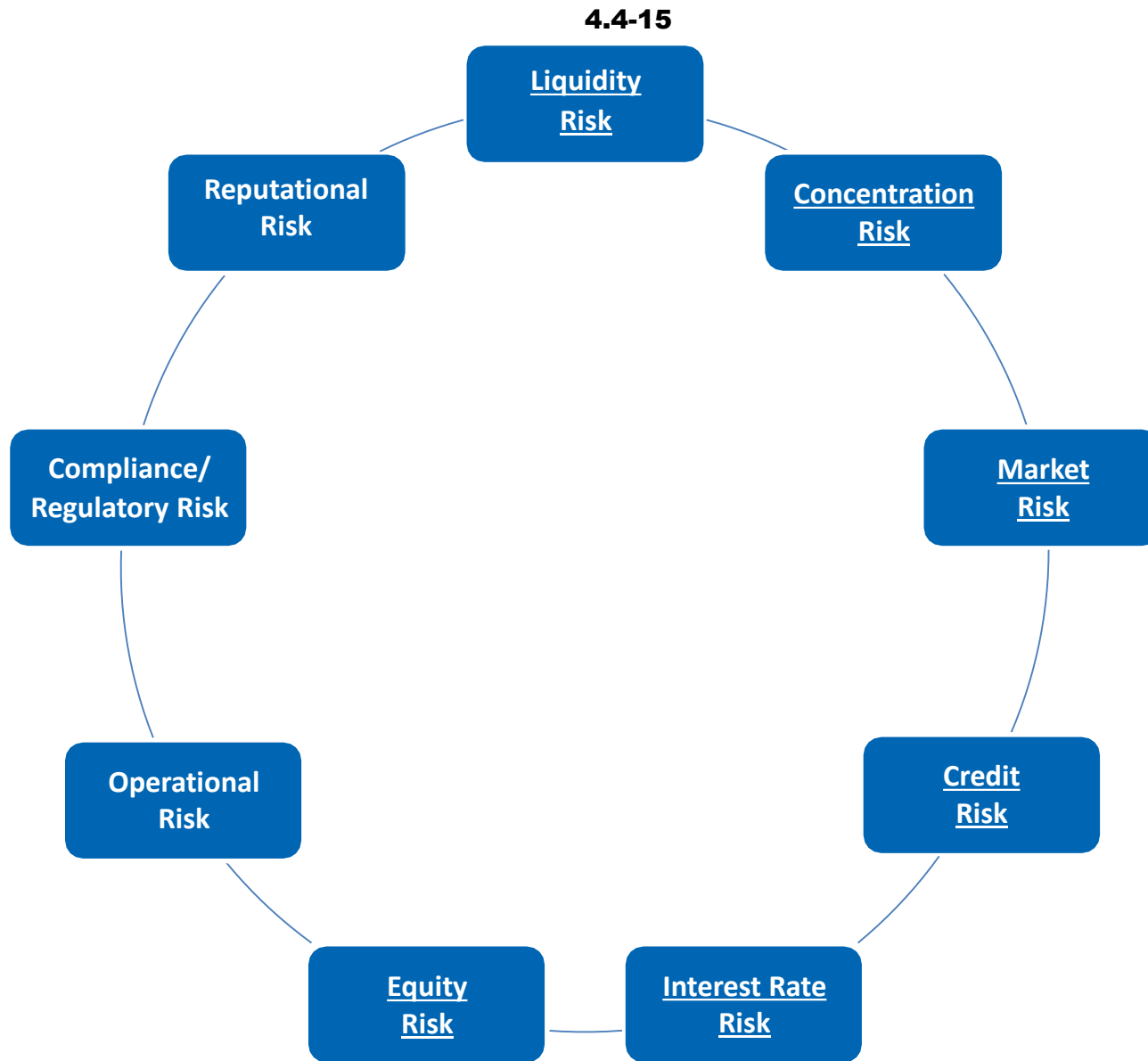
Low
Moderate
Higher



Low Appetite	Moderate Appetite	Higher Appetite
Reputational Risk	Liquidity Risk	
Compliance/Regulatory Risk	Concentration Risk	
Operational Risk	Market Risk (Interest Rate, Credit, Equity)	

Note: risks in orange font are consistent with the Region's corporate risks

Risks



Liquidity Risk

Example:

The inability to access or convert cash on short notice with limited cost.

In order to minimize liquidity risk, the Region holds cash deposits and securities that can easily be converted into cash.



Concentration Risk

Example:

The risk of financial loss due to over-exposure to one particular security. For example, “putting all of your eggs in one basket”.

In order to minimize this risk, the Region has limits on the maximum exposure to any one counterparty or industry.



Market Risk



Example:

The risk of financial loss due to unforeseen changes in macroeconomic factors such as unemployment rates, equity (stock) market prices and interest rates.

The Region is exposed to 3 main market risks: (1) credit (2) interest rate and (3) equity (stock).

1

Credit Risk

The risk of financial loss due to borrowed money not being repaid.

2

Interest Rate Risk

The risk of financial loss due to changes in interest rates.

3

Equity Risk

The risk of financial loss due to changes in equity (stock) prices.

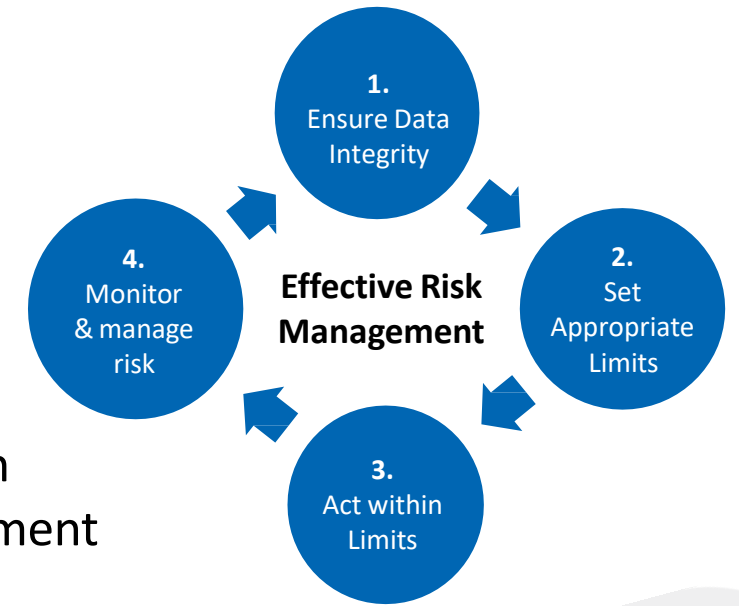
Defining Risk Tolerance

Definition:

The limits or range of an organization's capacity for taking on risk.

Next Steps:

- Treasury Services to establish and recommend to Council limits/ranges reflecting the agreed Treasury risk appetite through revisions to the Investment Goals and Policies and Debt Management Policy.



Cash Management Strategy Achievements

- ✓ Established Treasury Risk Oversight Committee to strengthen governance and risk management practices
- ✓ Segregation of duties to strengthen risk management practices
- ✓ More efficient liquidity management, generating additional financial returns on cash
- ✓ ~\$5M in additional financial returns from active investment strategy vs. buy-and-hold investment strategy to date.
 - ✓ Achieved by taking advantage of market opportunities to realize capital gains and achieve additional interest income.
 - ✓ Expect to achieve \$6-6.5M through year end.
- ✓ Cost savings of approximately \$8,000 by year end through operational efficiencies
- ✓ Issuance of RFP for Custodial Services (August 15th) and Treasury Management System (end of 2019) to enhance automation and realize process efficiencies.