



CITY OF ST. ALBERT ADMINISTRATIVE BACKGROUNDER

TITLE: STRATEGIC RISK ASSESSMENT

PURPOSE OF REPORT

On April 1, 2019 Councillor Hughes provided notice in accordance with Section 23 of Procedure Bylaw 3/2018 that she intended to bring forward the proposed motion below.

In order for Council to debate the motion, the motion must be formally moved.

PROPOSED MOTION:

That the CAO authorize the Internal Auditor to conduct the Strategic Risk Assessment at a cost of \$22,850, funded from the Internal Auditor budget in the stabilization reserve.

[NOTE: The Notice of Motion as presented referenced the capital reserve as the source of funding. It was subsequently determined that the approved Internal Auditor budget is funded from the stabilization reserve, so that source of funding has been inserted into the proposed Motion that will appear in Council Chambers for debate.]

BACKGROUND AND DISCUSSION:

When submitting what turned out to be the successful proposal for internal auditing services, MNP addressed the specific RFP subject areas of risk management and procurement but also presented an optional additional phase of work, to conduct a strategic risk assessment, at an additional cost of \$22,850.00. In order to allow for a fair “apples to apples” comparison between all proponents, this option was not considered or scored when this award of contract was first recommended by the Internal Audit Steering Committee to Council, and MNP was the successful proponent without regard to this aspect of their submission.

Subsequently the possibility of having MNP take on this additional work was discussed at the Internal Audit Steering Committee meeting in February 2019. Committee members were generally supportive of the Internal Auditor taking on this added scope of work, although no motion was made to recommend it to Council.

If this additional work on Strategic Risk Assessment is undertaken, inclusive of “prioritized risk register with risk management action plans, timelines and associated accountabilities” as described in the MNP proposal, it will create obligations in the form of a new formal process of Enterprise Risk Management (“ERM”). This would be in line with best practices for managing a municipal corporation of our size, and Administration supports it.

Council should however be aware that embarking on the ERM path, although an important component of prudent operations, is a considerably larger commitment than a one-time payment of \$22,850 to the Internal Auditor to conduct a Strategic Risk Assessment -- the estimated Administration contribution to complete this optional work is 292 hours for Executive Leadership, Directors and Managers. In addition, as mentioned above, embarking on this road will lead to a new permanent corporate business process that would require resources to carry out effectively, which may mean a budgetary impact to support and maintain the process in future years.

A risk registry was included as a placeholder in the Corporate Business Plan as one of 60 activities Administration is targeting to complete at some point between 2019 and 2021, whereas the Internal Auditor’s procurement and risk management reviews are planned activities for 2019 based on prior Council direction. The Corporate Business Plan project schedules and work plans are currently under development, so moving forward immediately with the “front-end” load of the optional Strategic Risk Assessment in the near term could impact the development, launch and schedule of these activities.

Administration therefore believes it would be prudent to continue with only the Risk Management Review and the Procurement Review (Phases 1 to 4 of the successful MNP proposal) at this time. As the prioritization/timing of 3-year Corporate Business Plan activities is finalized, the Strategic Risk Assessment could be scheduled for later this year and/or “spread out” over the latter part of 2019 and early 2020, to accommodate this new work without undue impact to other Corporate Business Plan activities -- noting that provision of services in the Council-approved Services and Service Levels Inventory is always Administration’s highest priority.

Administration is prepared to commit to working with the Internal Auditor to develop a timeline for completion of the Strategic Risk Assessment by June 30, 2020 at the latest. **An alternative motion** to take this timeline into account could be:

That the CAO execute an amendment to the contract with the Internal Auditor to authorize the Internal Auditor to conduct a Strategic Risk Assessment as set out in their proposal, at a cost of \$22,850, funded from the Internal Auditor budget in the stabilization reserve, with a target to complete this task not later than June 30, 2020.

If Council wishes to give direction to amend the contract with MNP to add the Strategic Risk Assessment scope of work at a cost of \$22,850, regardless of any Council direction as to time for completion there is sufficient room in the approved Internal Auditor budget to accommodate this cost.

Report Date: May 6, 2019

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