
**APPENDIX E – RISK MANAGEMENT AND
AUDIT**

RISK MANAGEMENT AND AUDIT

Without limiting the actions of the Commission, the following are considered to be sound practices in ensuring effective risk management:

Periodic Risk Identification and Assessment

The Commission ensures that the Service has a structured process i.e. a well-defined risk management framework for identifying, monitoring and managing the business risks and providing regularly scheduled briefings to the Commission. In conjunction with the Commission planning process, a systematic effort that identifies and weighs the types of risks the Service may face in achieving its objectives is required. These can be financial, performance-based, demographic or technological, to name some examples. In identifying such risks, each would be assigned a weight in terms of the severity of the risk, the likelihood of its occurrence and the potential impact on the organizational capacity of the Service to meet its objectives.

This process takes into account the Service's appetite and capacity for risk, and there are clearly defined processes in place for setting, approving, monitoring, and communicating risk tolerance levels for all major types of risks and ensuring that business strategies are compatible with them. Risk tolerance levels are regularly reviewed and adjusted to current external conditions, and the financial capacity and current objectives of the Service.

Incorporation of Risk into Strategic Planning

The Commission contributes to the development of strategic direction and approves the strategic plan with an understanding of the business risks that may affect the achievement of the strategic objectives. Risk management activities are integrated with the development and implementation of the strategic plan. Key performance targets are based on active consideration of the trade-offs between risk and reward. In a section of the Service's strategic plan, the risk identification and assessment, weighting and mitigation strategies need to be outlined as a risk management plan. Such information would be public and available to all users. It is important to matters such as financial planning, infrastructure planning, personnel and succession planning, and the audit program of the Service

Incorporation of Risk into Day-to-Day Operations

Consideration of business risks should be a regular part of day-to-day operations throughout the Service in order to focus limited financial and human resources strategically to maximize effectiveness and value. The Commission should ensure the Service has a program of communication and training on risk that includes creating awareness of risk and promoting a risk-

aware culture. Risk awareness and culture are regularly monitored using such techniques as internal audit reviews, risk and control self-assessment workshops, and employee surveys.

Risk Coordination, Monitoring, Reporting, and Learning

Every business unit plays some part in risk management. It is recommended practice to have a designated Chief Risk Officer responsible for coordinating risk management across the organization. The Service information systems incorporate reports on key performance targets and related risk factors. Managers throughout the Service receive regular reports on performance and provide explanations of variance and planned corrective action. There are processes for identifying and monitoring changes in the external environment i.e. what key business risks and opportunities are appearing, how they are being managed and what, if any, modifications in strategic direction are required. The Commission ensures that the Service promptly reviews the most significant lessons learned from each major business event, surprise, and disaster and how it has responded to these findings and actions required to improve the handling of similar events in the future. The Service has effective knowledge transfer processes in place, so that significant findings and lessons learned (both positive and negative) can be transferred quickly and effectively across the organization.

Incorporation of Risk Priorities into the Evaluation of the Chief

The high-risk issues involving the operational leadership of the Chief need to be incorporated into his or her performance contract. There should be an agreement between the Commission and the Chief on this risk profile and the mitigation strategy needed to deal with it. There would also have to be a mutual understanding of the relative weighting of the risk and how to measure success.

Incorporation in the Audit Plan for the Service

The Commission will want to ensure that the audit plan for the Service be risk-based. To that end, an audit plan should be prepared by the Chief and the auditing entity based on overall risk assessment in addition to the need to periodically ensure compliance in such areas as finance, personnel and relevant performance standards in policing (e.g. provincial standards) and municipal operations.

Measuring the Edmonton Police Commission's Risk Management Performance

Approaches to measurement of the Commission's performance in regard to risk management include:

1. annual environmental risk assessment as part of strategic planning;
2. quarterly reviews of outstanding high priority risk areas;

3. inclusion of risk assessments, prioritization and mitigation strategies as part of the Service Strategic Plan; and,
4. inclusion of priority risk areas in the Chief's performance objectives and evaluation process.