MANAGEMENT REPORT

Date:	October 19, 2023
Author:	Julia Morrison, Director, Corporate Services & CFO
VanDocs#:	DOC/2023/235717
Meeting Date:	October 25, 2023

TO:	Library Board
FROM:	Tim Bottomer, Chair, SFHR Committee
SUBJECT:	**Enterprise Risk Management Framework**

SUMMARY

The purpose of the report is to provide an update on risk management framework and policy development activities, and to provide an opportunity to discuss and provide feedback on the draft framework and governance prior to receiving a draft Risk Management Framework Policy for approval at a future meeting. In particular, consideration of the role of the Board within the proposed risk management framework is recommended.

PURPOSE

This report is for discussion and information.

RECOMMENDATIONS

That the Board receive the report for information.

INDIGENOUS CONSIDERATIONS

This report is related to VPL's risk management framework and policy development to support management and trustees in ensuring that risk management is seen as integral to the achievement of our objectives at all levels.

The Library's risk management framework and processes will consider and assess whether there are risks associated with the Library's Indigenous Rights and Reconciliation Strategy,

which includes our commitment to support the Truth and Reconciliation Calls to Action and supporting the implementation of the UN Declaration on the Rights of Indigenous Peoples.

BACKGROUND

In December 2020, the Board received a [report about VPL's risk management activities](#) and reporting. At that meeting, the Board passed a motion directing staff to develop a risk management policy and framework, and a risk assessment tool. The Board recognized that the COVID-19 pandemic would affect the time required to develop the framework, and anticipated work starting in 2021 and a report in 2022. The effects of the pandemic on operations were longer than anticipated, and work on the risk management framework began with the City of Vancouver in late 2022.

In May 2023, the Board received a [report about the external audits and examinations](#) that are conducted in relation to the Library's finances and operations. The operational audits consider technology and regulatory compliance risks. In addition, the Board has received reports on specific higher risk areas, such as collection challenges.

A risk can be defined as the effect of uncertainty on organizational strategic objectives, programs and services. Risks can be strategic, compliance, fiscal, or operational and affect physical premises and people, image or reputation, procedures, processes, compliance or reporting. Negative consequences can contribute to strategic, operational, systems or financial failure or deficiencies, or reputation impairment. Positive consequences through effective harnessing of opportunities can result in increased value, resilience, enhanced image and position.

Risk management involves a set of activities and actions that an organization takes to ensure that it is:

- Conscious of the potential risks that it faces;
- Makes informed decisions in managing the risks; and
- Identifies and maximizes potential opportunities.

Risk management should be incorporated into all of the Library's functions and responsibilities in order to identify and manage opportunities and risks. Risks and opportunities should be considered during planning, implementation and monitoring related to:

- Budget and financial controls
- Procurement, acquisitions processes and asset management (including collections)
- New or changing service delivery methods, programs or projects
- IT infrastructure and software including privacy and digital security
- New or revised policies, procedures and guidelines

- Planning and implementing capital projects and programs

- Business processes and continuity

- Safety and accessibility planning and implementation

- Workforce and succession planning

- Marketing and communications activities, including reputation management.

DISCUSSION

Working with the City of Vancouver's Risk Management group, staff have been developing a VPL risk management framework and handbook, a risk assessment tool, and a risk register.

There are five main components of VPL's risk management framework, outlined below: risk identification; risk measurement and assessment; risk treatment/mitigation; risk reporting and monitoring; and risk governance.

Staff have completed steps 1 and 2 of the processes required in the framework below, and are seeking the Committee's consideration of the Board's role in governance (outlined in step 5), prior to bringing forward a Risk Management Framework Policy to the Board, through the Committee, at a future meeting.

1. **Risk Identification**:

   The first step was to identify the risks VPL faces, including strategic risk, operational risk, regulatory/compliance risk, IT risk, legal risk, political risk, and fiscal risk. Some of these types of risks are less well understood, and are explained below:

   Strategic risk – internal or external uncertainties, whether event or trend driven, that impact the Library's strategy or implementation of strategy/strategic initiatives. Examples include governance and effectiveness of the Board and Chief Librarian & CEO, stakeholder and relationship management, achievement of strategic objectives, maintaining relevance, and reputation (public image).

   Operational risk – people, capital assets, processes (including program development or program/service delivery), and controls established to achieve organizational targets, and goals, and continuity of offerings.

   Regulatory/compliance risk – legal, legislative, by-law and policy compliance, including financial accountability requirements.

   In Q1 2023, the VPL Directors Group participated in the City of Vancouver's annual risk identification process. This work provided additional insights into the uncertainties we

face as we work towards achieving VPL's goals and objectives and led to developing a 2023 Priority Risk List for the Library.

2. **Risk Measurement and Assessment**:

During the assessment, the Directors Group analysed and prioritized VPL's risks, and reviewed each of them through a lens of the likelihood of the risk occurring, along with the impact on objectives should the risk occur.

The analysis of risks helps to prioritize them, in order to focus effort and resources on the most appropriate risks.

3. **Risk Treatment**:

Having identified and measured the risks, the next step is to create a risk treatment plan for each significant risk. These plans include actions that need to be taken, the date the action will be completed, and the person responsible for completing the action (risk owner).

This is the next step to be undertaken within VPL's risk management framework.

4. **Risk Reporting**:

A risk register is used to capture the relevant information for all significant risks. The risk register will be reviewed and updated quarterly and will incorporate updates on the risk treatment plans, with information from the various risk owners.

The Director, Corporate Services & CFO will prepare quarterly reports for the Risk Management Committee (RMC), and an annual report for the VPL Board, which will include the VPL risk list.

5. **Risk Governance**:

The Chief Librarian & CEO is responsible for ensuring that the appropriate risk management practices are in place and operating effectively. The Chief Librarian & CEO retains the ultimate responsibility for the effective management of risk at VPL within the limits set by the VPL Board and is responsible to identify, treat, and report those risks through the risk management process.

The Director, Corporate Services & CFO leads the risk management program under direction from the Chief Librarian & CEO. The Director, Corporate Services & CFO is responsible for ensuring the risk management process, tools and reporting meets the needs of the Risk Management Committee and the program provides sufficient processes and reporting to adequately manage the risks of the Library.

VPL Board:

The responsibilities of the VPL Board are to:

- Approve the VPL Risk Management Framework policy;

- Review an annual report of the VPL risk list;

- Provide direction and guidance to the Chief Librarian & CEO on managing risks and the associated processes through strategic planning, policy, Board discussion and decisions;

- Request additional information, through the Chief Librarian & CEO, when the Board considers it appropriate.

Risk Management Committee:

The Risk Management Committee is comprised of the Directors Group. Risk Management Committee meetings will be conducted and facilitated by the Chief Librarian & CEO on a quarterly basis.

The Director, Corporate Services & CFO will prepare a quarterly report and this will be reviewed during the Risk Management Committee meeting. This report will provide an update on the status of the identified Library risks, incorporating updates on mitigation activities and actions from the risk owners. In addition, any new and past due risks will also be discussed.

The Risk Management Committee has overall responsibility for ensuring that risk treatment plans are fully executed. Specific responsibilities include the following activities:

- Approve and monitor the mitigation of major risks;

- Meet quarterly to review and discuss VPL risks and risk treatment plans;

- Approve the Library's risk tolerance;

- Support mitigation implementation;

- Assign risk owners to identified risks;

- Assist in cross-departmental risk mitigation to include determining the role of VPL management and other organizational resources.

Risk Owner:

The risk owner is the person to whom the Risk Management Committee assigns primary responsibility for mitigating the risk. This assignment is based on the type of risk and should be assigned to the Library staff member who is empowered to ensure this risk is mitigated.

The risk owner has the following responsibilities:

- Assess the risk and create a risk treatment plan that meets Risk Management Committee approval;
- Mitigate risk per the risk treatment plan;
- Recommend risk closure to Risk Management Committee, at the completion of the risk treatment plan;
- Provide quarterly updates to the Director, Corporate Services & CFO;
- Present risk status/updates at Risk Management Committee meetings, if required.

Risk Tolerance & Appetite

It is the objective of VPL not to incur any operational loss that exposes the Library and its citizens to any significant damage. For that purpose, VPL puts policies, procedures and systems in place in order to mitigate the impact and/or probability of occurrence of the risks inherent to its activities. This risk tolerance is set and approved by the Risk Management Committee, and considers the direction and guidance provided by the Board through the strategic plan, policies, discussion and decisions.

NEXT STEPS

The Director, Corporate Services & CFO will draft a Risk Management Framework Policy, incorporating feedback from the Committee, and bring it forward for approval at a future meeting.

Staff will proceed to work on Steps 3 and 4 of the framework. The Board will receive an annual report in early Q2 2024.

FINANCIAL IMPLICATIONS

The risk management activities that take place throughout the year are conducted within the scope of regular operations, and there is no impact to the Operating or Capital budget.

FINAL REMARKS

Risk management contributes to the achievement of the Library's strategic and operational objectives, goals, programs and services.

An effective risk management program includes practices that identify, address, and report key risks and opportunities to the Library.

This report recommends that staff are directed to develop a risk management framework policy, for Board approval.