



THE REGIONAL MUNICIPALITY OF PEEL

AUDIT AND RISK COMMITTEE

AGENDA

ARC - 3/2018

DATE: Thursday, June 7, 2018

TIME: 1:00 PM – 2:30 PM

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

MEMBERS: C. Fonseca; F. Dale; G. Miles; K. Ras; R. Starr; A. Thompson

Chaired by Councillor Fonseca or Vice-Chair Councillor Ras

- 1. DECLARATIONS OF CONFLICTS OF INTEREST**
- 2. APPROVAL OF AGENDA**
- 3. DELEGATIONS**
- 4. REPORTS**
 - 4.1. Region of Peel Corporate Risk Profile
Presentation by Michelle Morris, Director, Enterprise Risk and Audit Services and Anila Lalani, Advisor, Enterprise Risk Management
 - 4.2. Status of Management Action Plans (For information)
Presentation by Michelle Morris, Director, Enterprise Risk and Audit Services and Jennifer Weinman, Manager, Enterprise Audit Services
 - 4.3. Audit and Risk Committee Public Member Participation
- 5. COMMUNICATIONS**
- 6. IN CAMERA MATTERS**

7. OTHER BUSINESS

8. NEXT MEETING

September 20, 2018, 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

DATE: May 30, 2018

REPORT TITLE: **REGION OF PEEL CORPORATE RISK PROFILE**

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

RECOMMENDATION

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

And further, that the subject report and presentation be referred to the June 28, 2018 Regional Council meeting for approval.

REPORT HIGHLIGHTS

- A Corporate Risk 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 Corporate Risk Profile allows for further review of existing mitigation plans, gaps and actions required to either reduce or accept risks.
- Major inputs into the development of the profile for the Region of Peel included interviews with subject matter experts and risk input sessions with the Risk Champions and each Departmental Leadership Team.
- The Corporate Risk Profile is presented for review and approval as required by the Audit and Risk Committee Charter.
- The Global Risks 2018, as developed by the World Economic Forum, is appended and provides information on the potential global risks existing in the environment. Several of the Region’s corporate risks are aligned to the global risks and where possible mitigation plans have been developed to manage these risks.

DISCUSSION

1. Background

For several years, the Enterprise Risk and Audit Services division has been working to establish an Enterprise Risk Management program at the Region of Peel. Enterprise Risk Management is the coordinated activities to direct and control an organization with regards to risk. There have been major milestones accomplished towards this goal; with the next major milestone being the development of a Corporate Risk Profile.

REGION OF PEEL 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 purpose for developing a Corporate Risk Profile is to provide a summary of the key risks facing the organization from an internal and external perspective and to assess the impact these risks may have on the Region's ability to achieve the Term of Council Priorities and strategic outcomes. The audience for the Profile includes Regional Council, the Executive Leadership and program and service owners that may be impacted by the risks identified. For the internal risks identified, existing mitigation plans have been included. While the Region cannot control the external risks that exist in the environment the Region operates in, identification of external risks can help position the Region to prepare for any possible negative impacts.

The Corporate Risk Profile is attached as Appendix I. The Global Risks 2018, as developed by the World Economic Forum, is appended in section 5 of the Profile and it provides information on the potential global risks existing in the environment. Several of the Region's corporate risks are aligned to the global risks and where possible mitigation plans have been developed to manage these risks.

2. Methodology

The Profile's methodology is included in section 7, of Appendix I.

CONCLUSION

The Corporate Risk Profile is presented for the Audit and Risk Committee's review and endorsement. The Profile provides a summary of the key risks facing the organization from an internal and external perspective and the impact these risks may have on the Region's ability to achieve the Term of Council Priorities and strategic outcomes. Existing mitigation plans to address the risks are included in the Profile as well as plans that are currently underway.



Michelle Morris, Director, Enterprise Risk and Audit Services

Approved for Submission:



D. Szwarc, 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



May 2018

**APPENDIX I
REGION OF PEEL CORPORATE RISK PROFILE**

Contents

1	Introduction	3
1.1	Purpose	3
1.2	Methodology	4
2	Corporate Risks	4
2.1	Risk Assessment.....	5
3	Impact of Risks to the Region’s Strategic Plan	7
4	Mitigation Plans and Risk Owners	7
5	Global Risks	11
6	Summary and Next Steps	13
7	Appendices	14
7.1	Corporate Risk Profile Methodology	14

APPENDIX I REGION OF PEEL CORPORATE RISK PROFILE

1 Introduction

The Corporate Risk Profile (the Profile) is a communication tool that identifies key risks (internal and external) facing an organization. It 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). It is one of the key milestones resulting from the risk management process and the viewpoint of this document is usually from a strategic lens. For example, the risk of inaccurate growth forecast is likely to impact the timing and location of the Region's infrastructure investment. The audience for the Profile is usually the governing body (Council) and senior management; however, the Profile may also assist program and service managers to identify and address risks that may impact the effective delivery of programs and services.

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.

1.1 Purpose

The Corporate Risk Profile provides the Region of Peel with an analysis of the key risks facing the organization from an internal and external perspective and takes into consideration the impact these risks may have on the Strategic Plan outcomes. The Corporate Risk Profile enables the Region to review existing mitigation plans in place to address these risks and determine if additional resources are required to manage the risks or if resources can be reduced where risk exposure is lower. It is a tool that 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.
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.

APPENDIX I REGION OF PEEL CORPORATE RISK PROFILE

User	Usage
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 Corporate Risk Profile Methodology is appended to this report. Please refer to Appendix 7.1 – Corporate Risk Profile Methodology for detail.

2 Corporate Risks

A total of 15 key risks have been identified that may prevent the Region from achieving its Strategic Plan outcomes. Some of these 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. Some risks are internal to the organization, where the Region may have the ability to reduce the likelihood and/or the impact of the risks.

The **Table 2** below identifies the significant risks, definitions and expected source of origin:

Table 2

#	Risks	Definitions	Internal /External
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
2.	Economic Downturn	Downward shift in the economy could cause an increase in service demand and a loss of revenue for the Region.	External
3.	Changing Government Policies and Levels of Government	Impact of significant changes in other levels of government or its policies on Regional services.	External
4.	Changing Employment and Impacts of Automation	Changing nature of employment including the impact of automation on the labour force.	External
5.	People / Reputation	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
6.	Cyber Attacks	Inability to protect the Region’s electronic data and information from cyber-attacks.	External
7.	Growth Management	Impact of inaccurate growth forecasts on Regional growth management plans.	External/Internal

**APPENDIX I
REGION OF PEEL CORPORATE RISK PROFILE**

#	Risks	Definitions	Internal /External
8.	Talent Management	Competition to recruit and retain the right talent. Knowledge loss as a result of baby boomers' retirements.	External/Internal
9.	Information Management	Absence of timely pertinent, consistent and accurate information to support decision making.	Internal
10.	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
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
12.	Vendor Management	Inability of vendors and/or community partners to deliver services or products to agreed costs and/or specifications.	External/Internal
13.	Modernize Service Delivery	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. 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
14.	Asset Management	Inability to maintain new and existing infrastructure could impact the Region's ability to maintain levels of services currently provided by the Region.	Internal
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

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

2.1 Risk Assessment

A set of criteria were used to assess the risks and only 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:

**APPENDIX I
REGION OF PEEL CORPORATE RISK PROFILE**

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, information on whether mitigation controls exist to manage the risk (green), if there are plans in progress to implement new controls (yellow) and risks where the Region has minimal ability to manage them (white) and classify risks into risk types:

Table 4

	Risk	Risk Assessment	Control	Risk Type
1.	Social Cohesion and Intolerance			Social
2.	Economic Downturn			Economic
3.	Changing Government Policies and Levels of Government			Political
4.	Changing Employment and Impacts of Automation			Economic
5.	People / Reputation			People/ Reputation
6.	Cyber Attacks			Technology/ Information Management
7.	Growth Management			Service Delivery
8.	Talent Management			People
9.	Information Management			Technology/ Information Management
10.	Technology			Technology/ Information Management
11.	Climate Change and Environment			Environmental
12.	Vendor Management			Contractual/ Procurement
13.	Modernize Service Delivery			Service Delivery
14.	Asset Management			Infrastructure / Asset Planning
15.	Health and Safety			People

APPENDIX I REGION OF PEEL CORPORATE RISK PROFILE

3 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 enables 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.

4 Mitigation Plans and Risk Owners

The following table provides information on mitigation plans and the risk owners to track and manage identified risks in case any of these risks may occur:

Table 5

#	Risks	Mitigation Plans	Owner
1	Social Cohesion and Intolerance	External risk existing in the environment.	
2	Economic Downturn	External risk existing in the environment.	
3	Changing Government Policies and Levels of Government	External risk existing in the environment.	
4	Changing Employment and Impacts of Automation	External risk existing in the environment.	
5	People / Reputation	External/Internal risk existing in the environment	
6	Cyber Attacks	The Region has implemented security measures to mitigate the risks associated with cyber-attacks. Further discussion may be held in camera.	Director Information Systems and Technology Services
7	Growth Management	Plan and manage growth is a Term of Council Priority. 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: <ul style="list-style-type: none"> Growth Management Core Team (internal stakeholders), 	Director, Growth Management

**APPENDIX I
REGION OF PEEL CORPORATE RISK PROFILE**

#	Risks	Mitigation Plans	Owner
		<ul style="list-style-type: none"> • 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>	
8	Talent Management	<p>Attract and retain top talent is a Term of Council Priority. The Region is planning to explore the policy issue of attracting and retaining top talent in the public sector and policy options and explore trends around attraction and retention of millennials, including understanding of values, work/life balance, retention mechanisms, etc. (Target Completion – December 2018)</p> <p>The Region is developing strategies for leadership and employee development to ensure employees have skills to deliver on services and Strategic Plan outcomes. (Target Completion – December 2018)</p> <p>The succession planning strategy development has been deferred beyond the Council term.</p>	Director Human Resources
9	Information Management	<p>The following strategies are in progress to facilitate timely access to information:</p> <ul style="list-style-type: none"> • Electronic Content Strategy – 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. Target Completion Date – June, 2018 • 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. Target Completion Date – September, 2018 	Director, Information Management
10	Technology	<p>The following strategies are in place at the Region to keep pace with the emerging technologies to enable service delivery:</p>	Director, Client Delivery

**APPENDIX I
REGION OF PEEL CORPORATE RISK PROFILE**

#	Risks	Mitigation Plans	Owner
		<ul style="list-style-type: none"> <li data-bbox="589 273 1154 426">• Region has a refreshed Digital Strategy that was established with support from industry leading consultants, including principles around the adoption and selection of new technologies. (Complete) <li data-bbox="589 436 1154 590">• Region has a number of authoritative sources available to keep pace with emerging technology from an education and awareness perspective (Gartner, Infotech). (Contracts in place. Being used on an ongoing basis) <li data-bbox="589 600 1154 852">• The target state architecture defines the Region’s business capabilities and is currently being refreshed. Target state architecture does not include emerging technologies; separate strategies are required for Artificial Intelligence (AI), Virtual Reality, Blockchain and Internet of Things (IOT). (Target Completion Date – September, 2018) <p data-bbox="589 884 1154 1037">IT Operating Model will support defining the functions and structure, including services and capabilities from an IT perspective that the Region should be subscribing to. (Target Completion Date – September, 2018)</p>	
11	Climate Change and Environment	<p data-bbox="589 1079 1154 1136">Adapt to and mitigate the effects of climate change is a Term of Council Priority.</p> <p data-bbox="589 1146 1154 1587">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 establishing a policy framework for internal operations that will help realize the climate change vision and outcomes endorsed by Regional Council. The Climate Change Operational Policy will serve to reinforce how each of us 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. (Target Completion Date – October, 2018)</p> <p data-bbox="589 1619 1154 1808">To help guide our collective priorities, a 10 year Corporate Climate Change Master Plan is being developed to include tangible actions that will result in meaningful and measurable climate change risk-reduction outcomes. (Target Completion Date – March 2019)</p> <p data-bbox="589 1839 1154 1896">The Region is working to mitigate the impacts of Climate Change related to basement flooding. To</p>	<p data-bbox="1203 1079 1414 1167">Director, Climate Change and Energy Management</p> <p data-bbox="1203 1629 1398 1717">General Manager, Water & Wastewater</p>

**APPENDIX I
REGION OF PEEL CORPORATE RISK PROFILE**

#	Risks	Mitigation Plans	Owner
		<p>build on existing programs already having an impact in the community, the Region is developing a comprehensive strategy to address the impacts of inflow and infiltration into the sanitary sewer system. The Inflow and Infiltration Reduction and Mitigation Strategy will include 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 will be a collaborative effort between the Region of Peel, local municipalities and the conservation authorities (Target Completion Date – September, 2018)</p>	
12	Vendor Management	<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 Purchasing 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 Framework to users to consistently evaluate vendor performance <p>User Division manages contract or agreement as per the agreed upon terms and conditions and manage vendors' or community partners' performances</p>	Director Purchasing and Head of User Division/Department
13	Modernize Service Delivery	<p>Modernize service delivery is a Term of Council Priority. The following seven 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> <ul style="list-style-type: none"> • External and Internal Web Site Modernization (Target Completion Date – June, 2019) • End to End Care Management (Target Completion Date – December, 2020) • e-bidding (Target Completion Date – December, 2018) 	Director, Client Delivery & Director Marketing and Communications

**APPENDIX I
REGION OF PEEL CORPORATE RISK PROFILE**

#	Risks	Mitigation Plans	Owner
		<ul style="list-style-type: none"> Housing Transformation Initiative (Target Completion Date – December, 2018) Families First (Completed) Workforce Enablement (On-going) 	
14	Asset Management	<p>The Region complies to the:</p> <ul style="list-style-type: none"> Corporate Asset Management Policy and service level standards Long Term Financial Planning Strategy Application of annual Infrastructure Levy <p>The risk is monitored and yearly monitoring reports and Infrastructure Scorecard and Updates on the Status of Reserves are provided to Regional Council.</p> <p>Further, Region is in a process of acquiring an asset management system that will enable effective and efficient management of assets.</p>	Director, Asset Management
15	Health and Safety	<p>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.</p> <p>The 2018 work plan includes the following:</p> <ul style="list-style-type: none"> Policies, Procedures and Program Updates Joint Health & Safety Committee Optimization Health and Safety Training Security and Emergency Management Risk Assessments Psychological Health Departmental/Divisional Health & Safety Management Systems Optimization of Occupational Health & Safety Software System and Processes <p>(Target Completion Date – December, 2018)</p> <p>Region will continue to mature its Health and Safety program.</p>	Director, Human Resources

5 Global Risks

The World Economic Forum develops the Global Risks Report annually focusing attention on the evolution of 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.

APPENDIX I REGION OF PEEL CORPORATE RISK PROFILE

Global Risks and description below are reproduced from the Global Risks Report 2018 with the permission from the World Economic Forum to provide the readers information on potential global risks existing in the environment.

Table 6

Global Risk	Description
Asset bubbles in a major economy	Unsustainably overpriced assets such as commodities, housing, shares, etc. in a major economy or region
Deflation in a major economy	Prolonged near-zero inflation or deflation in a major economy or region
Failure of a major financial mechanism or institution	Collapse of a financial institution and/or malfunctioning of a financial system that impacts the global economy
Failure/shortfall of critical infrastructure	Failure to adequately invest in, upgrade and/or secure infrastructure networks (e.g. energy, transportation and communications), leading to pressure or a breakdown with system-wide implications
Fiscal crises in key economies	Excessive debt burdens that generate sovereign debt crises and/or liquidity crises
High structural unemployment or underemployment	A sustained high level of unemployment or underutilization of the productive capacity of the employed population
Illicit trade (e.g. illicit financial flows, tax evasion, human trafficking, organized crime, etc.)	Large-scale activities outside the legal framework such as illicit financial flows, tax evasion, human trafficking, counterfeiting and/or organized crime that undermine social interactions, regional or international collaboration, and global growth
Severe energy price shock (increase or decrease)	Significant energy price increases or decreases that place further economic pressures on highly energy-dependent industries and consumers
Unmanageable inflation	Unmanageable increases in the general price levels of goods and services in key economies
Extreme weather events (e.g. floods, storms, etc.)	Major property, infrastructure and/or environmental damage as well as loss of human life caused by extreme weather events
Failure of climate-change mitigation and adaptation	The failure of governments and businesses to enforce or enact effective measures to mitigate climate change, protect populations and help businesses impacted by climate change to adapt
Major biodiversity loss and ecosystem collapse (terrestrial or marine)	Irreversible consequences for the environment, resulting in severely depleted resources for humankind as well as industries
Major natural disasters (e.g. earthquake, tsunami, volcanic eruption, geomagnetic storms)	Major property, infrastructure and/or environmental damage as well as loss of human life caused by geophysical disasters such as earthquakes, volcanic activity, landslides, tsunamis, or geomagnetic storms
Man-made environmental damage and disasters (e.g. oil spills, radioactive contamination, etc.)	Failure to prevent major man-made damage and disasters, including environmental crime, causing harm to human lives and health, infrastructure, property, economic activity and the environment
Failure of national governance (e.g. failure of rule of law, corruption, political deadlock, etc.)	Inability to govern a nation of geopolitical importance as a result of weak rule of law, corruption or political deadlock
Failure of regional or global Governance	Inability of regional or global institutions to resolve issues of economic, geopolitical or environmental importance
Interstate conflict with regional consequences	A bilateral or multilateral dispute between states that escalates into economic (e.g. trade/currency wars, resource nationalization), military, cyber, societal or other conflict.

APPENDIX I REGION OF PEEL CORPORATE RISK PROFILE

Global Risk	Description
Large-scale terrorist attacks	Individuals or non-state groups with political or religious goals that successfully inflict large-scale human or material damage
State collapse or crisis (e.g. civil conflict, military coup, failed states, etc.)	State collapse of geopolitical importance due to internal violence, regional or global instability, military coup, civil conflict, failed states, etc.
Weapons of mass destruction	The deployment of nuclear, chemical, biological and radiological technologies and materials, creating international crises and potential for significant destruction
Failure of urban planning	Poorly planned cities, urban sprawl and associated infrastructure that create social, environmental and health challenges
Food crises	Inadequate, unaffordable, or unreliable access to appropriate quantities and quality of food and nutrition on a major scale
Large-scale involuntary migration	Large-scale involuntary migration induced by conflict, disasters, environmental or economic reasons
Profound social instability	Major social movements or protests (e.g. street riots, social unrest, etc.) that disrupt political or social stability, negatively impacting populations and economic activity
Rapid and massive spread of infectious diseases	Bacteria, viruses, parasites or fungi that cause uncontrolled spread of infectious diseases (for instance as a result of resistance to antibiotics, antivirals and other treatments) leading to widespread fatalities and economic disruption
Water crises	A significant decline in the available quality and quantity of fresh water, resulting in harmful effects on human health and/or economic activity
Adverse consequences of technological advances	Intended or unintended adverse consequences of technological advances such as artificial intelligence, geo-engineering and synthetic biology causing human, environmental and economic damage
Breakdown of critical information infrastructure and networks (Critical information infrastructure breakdown)	Cyber dependency that increases vulnerability to outage of critical information infrastructure (e.g. internet, satellites, etc.) and networks, causing widespread disruption
Large-scale cyberattacks	Large-scale cyberattacks or malware causing large economic damages, geopolitical tensions or widespread loss of trust in the internet
Massive incident of data fraud/theft	Wrongful exploitation of private or official data that takes place on an unprecedented scale.

Source: *The Global Risks Report 2018*, World Economic Forum, Switzerland, 2018.

6 Summary and Next Steps

The Corporate Risk Profile provides key risks to the Region that may impact achieving its Strategic Plan outcomes. It is expected to help align an understanding of Region's business outcomes and risk and play an integral role in strategic planning and resource allocation. Existing mitigation plans to address the risks are included in the Profile as well as plans that are currently underway.

Enterprise Risk Management will continue to update corporate risk profile annually, every four years and every ten years to incorporate changes to Region's risk exposure.

APPENDIX I REGION OF PEEL CORPORATE RISK PROFILE

7 Appendices

7.1 Corporate Risk Profile Methodology

The methodology for developing the Corporate Risk Profile included obtaining risk information from the following six resources:

1. Work Plan Interviews – On an annual basis, the Enterprise Risk and Audit Services division conducts interviews with organizational leadership to identify high risk program and services for the development of annual Audit Work Plan. Enterprise Risk Management (ERM) has leveraged the risk information gathered to inform the Corporate Risk Profile.
2. Subject Matter Experts Interviews – ERM team interviewed subject matter experts in the Region to gain an understanding of the broad issues facing the business environment in which the Region operates. This included gathering information from a legal, economic, cash management and policy perspective.
3. Data and Research – This included reviewing external resources on issues facing municipalities, the public in general and global risk trends.
4. Audit Experience - Risk information from audit group's experience, previous audit reports and risk registers were reviewed and summarized for the development of Corporate Risk Profile.
5. Mock Risk Validation Session with Risk Champions - ERM team engaged Risk Champions for a mock risk validation sessions to take their input before leadership team is engaged.
6. Risk Validation Sessions with Leadership Team – ERM team engaged Departmental Leadership Teams and Executive Leadership Team to assess the risks gathered through above sources to identify the key risks that the Region may be exposed to. These sessions were also used to capture risks from leadership perspective.

Interconnectivity Analysis - Information collected through the above mentioned sources were summarized in potential risk events to develop internal and external risk factors facing the Region. The potential impact of these risks to the Strategic Plan and Term of Council Priorities were analyzed.



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. Definition*
- 2. Corporate Risk Profile*
- 3. Corporate Risk Profile Usage*
- 4. Next Steps*
- 5. Questions/ Discussion*

Definitions

Corporate Risk Profile

It is a communication tool that identifies key risks (internal and external) facing an organization.

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.

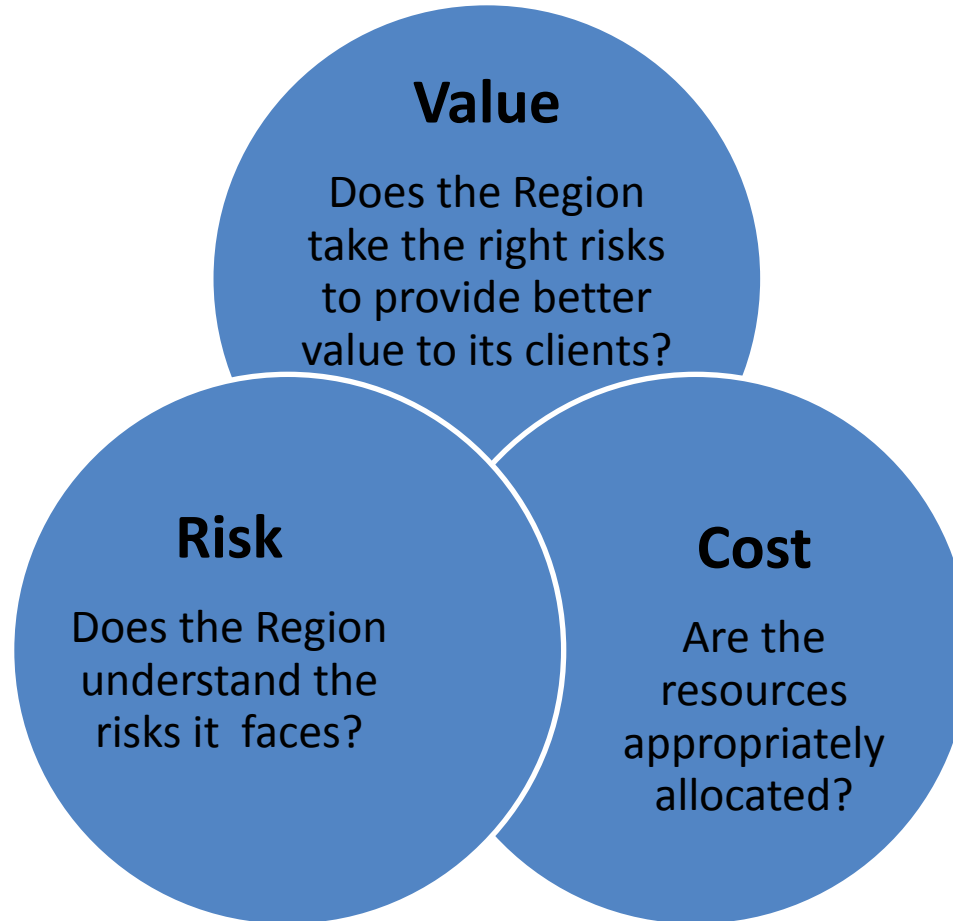
Corporate Risk Profile

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 the nature of automation • Climate Change • Asset Management 	<ul style="list-style-type: none"> • Cyber attacks • Growth Management • Talent Management • Information Management • Technology • Vendor Management • Modernize Service Delivery • Health and Safety 	<ul style="list-style-type: none"> • People/ Reputation

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 Management – A Balance



Next Steps

- *Continue to monitor corporate risks and report back annually*
- *Key input into the strategic planning cycle for 2018-2022*



For Information

DATE: May 24, 2018

REPORT TITLE: **STATUS OF MANAGEMENT ACTION PLANS**

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

OBJECTIVE

To provide the Audit and Risk Committee with an update on the status of management action plans, which were developed to address audit observations.

REPORT HIGHLIGHTS

- Management implemented 78 per cent of the management action plans that were due to be implemented on or before December 31, 2017.
- The current risk exposure on the management action plans that were due but not fully implemented is high.
- Professional auditing standards require that Enterprise Audit Services have a process in place to monitor the implementation of management action plans.

DISCUSSION**1. Background**

Standard 2500.A1 of the International Standards for the Professional Practice of Internal Auditing, states that “Internal Audit must establish a process to monitor and ensure that management actions have been effectively implemented”. Enterprise Audit Services has a process in place to monitor the implementation of management action plans and reports annually to the Audit and Risk Committee on the results.

Commissioners are provided with reports on the status of management action plans throughout the year. These reports provide information to assist with monitoring department specific management action plans.

2. Analysis of Results

Management action plans due to be implemented on or before December 31, 2017 were reviewed. Enterprise Audit Services verified that 78 per cent of the plans that were due by December 31, 2017 were implemented.

In addition to the management action plans that were due, two plans related to the Digital Strategy Audit and Assessment with completion dates in 2018, were implemented within our

STATUS OF MANAGEMENT ACTION PLANS

2017 reporting timelines. It is also noted that management in the Waste Management division implemented all of the management action plans from the Heart Lake Community Recycling Centre Audit by the original due date.

Management in Human Resources has, at the current time, made the decision to accept the risk of not implementing outstanding action plans in the Overtime, Overtime Phase II, Employee Expense Reimbursement and Hiring Practices audits. Management in Human Resources is leading a number of corporate transformational initiatives, such as Attract and Retain Talent and Modernize Our Workplace and currently do not have the capacity to implement the outstanding plans to address the risks identified in the audits. The risks, which are mostly operational in nature, with a medium risk exposure, will be addressed in updates to programs at a future date.

Outlined below are comments specific to management action plans still in progress that were due to be implemented on or before December 31, 2017.

Community Investment Program Audit

The management action plan related to improving the current online application process for funding is outstanding. Management is currently evaluating a potential vendor for the development of the online platform that will help streamline the process.

Treasury Services Audit

One action plan related to updating policies and the Procedures Manual remains outstanding. Management has completed the current state process maps and work on updating the Procedures Manual, where necessary, is underway as part of the implementation of the Cash Management Strategy. This work is expected to be completed by the end of 2018.

Employee Expense Claims and Tuition Assistance Program Audit

One management action plan is outstanding. This involves automation of the business expense claims process, which will be included in the work on the Enterprise Resource Planning (ERP) system; this work is currently underway.

Purchasing By-law RFP Review

One management action plan remains outstanding. This action plan is related to trend analysis of vendor awards under the Request for Proposal (RFP) procurements. Vendor trend analysis focusing on the RFP procurements such as, the number of awards won and submissions received by a vendor will be available starting in 2019. This analysis will be possible through the new e-Bidding platform which is being rolled out in phases and data will be available for 2018 contracts entered into the new system.

Peel Living Procurement Audit

One management action plan remains outstanding related to a service level agreement for procurement services. This management action is related to ongoing work on the governance of the Peel Housing Corporation and will be addressed with the new term of Council in 2019. Once the form of governance has been resolved, drafting the

STATUS OF MANAGEMENT ACTION PLANS

Shareholder’s direction document and service level agreements, including a procurement service level agreement, will commence.

Long Term Care Audit

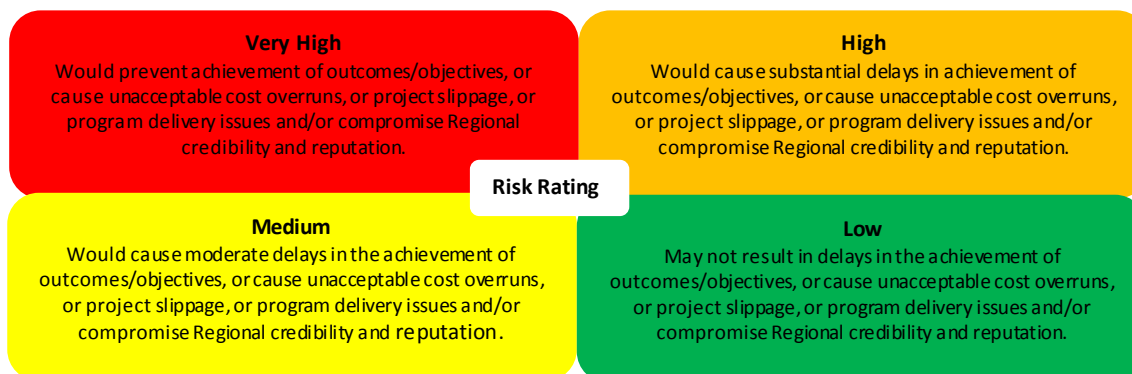
Two management action plans are outstanding. Both are related to inventory and supplies management. Management is working on piloting an inventory and supplies management system. Policies and procedures related to inventory and supplies management will be created once the system is developed and adopted.

Digital Strategy Audit and Assessment

The digital strategy audit has three management action plans that are outstanding. For the first outstanding management action plan, management is developing process and application standardization for enterprise architecture governance and management of legacy applications. The anticipated completion date is June 2018. For the second outstanding management action plan, management is working to ensure that application owners have control over the purchase and allocation of new licenses and the negotiation of license agreements. Estimated completion date is December 31, 2018. For the third outstanding management action plan, management is in the process of developing an application invoice verification process to be rolled out to stakeholders by the end of 2018.

3. Risk Analysis of Management Action Plans

For the current reporting period, 78 per cent of the management action plans that were due have been implemented. A risk analysis of the management action plans that were due but not fully implemented is provided below. Part of the audit process involves assigning a risk category and risk ranking to each audit observation.



Illustrated in the chart below is the number and related percentage of outstanding management action plans broken down by audit report and relevant risk category.

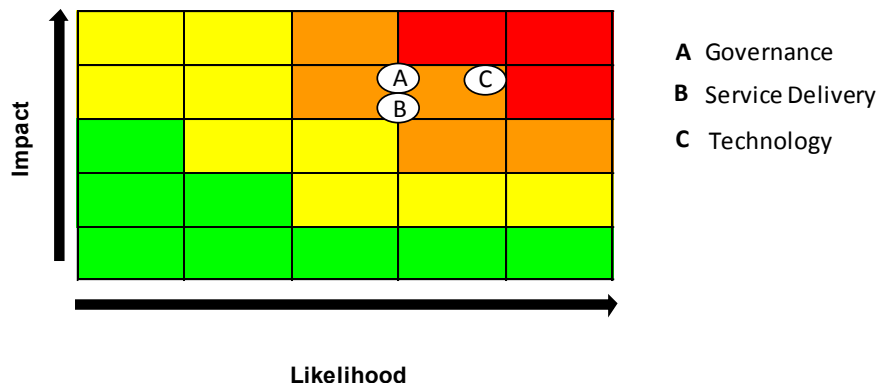
STATUS OF MANAGEMENT ACTION PLANS

	RISK		
	Governance	Service Delivery	Technology
Audits			
Community Investment Program		1	
Treasury Services		1	
Employee Expense Claims & Tuition Assistance Program	1		
Purchasing By-law RFP Review	1		
Peel Living Procurement	1		
Long Term Care		2	
Digital Strategy	1	1	1
Total	4	5	1
Percentage to Total Outstanding	40%	50%	10%

The most prevalent risks identified in the outstanding management action plans are Service Delivery and Governance. Service Delivery risk falls under the category of operational risk. Operational risks are day-to-day risks typically managed by managers, supervisors and staff. Based on Audit’s analysis, the Region’s exposure for Service Delivery risk is high. Governance, the second most prevalent risk, falls under the category of strategic risk and more specifically is the risk associated with corporate and management culture, corporate policies, board governance and organizational structure. Based on Audit’s analysis, the Region’s exposure for Governance risk is high. Technology is the third most prevalent risk identified. Technology risks fall under the umbrella of Operational risk. The Region’s current exposure for this risk is high. These risks relate to the program or services that were audited and are specific to the program/services objectives.

Below is a graphical heat map of outstanding management action plans. The heat map is a reporting tool for highlighting risk information in a brief and consistent manner and represents risks that are low, medium, high or very high.

Risk Map - Outstanding Management Action Plan (Due: on or before December 31, 2017)



STATUS OF MANAGEMENT ACTION PLANS

CONCLUSION

Enterprise Audit Services will continue to work with management in their efforts toward implementing the management action plans in a timely manner.



Michelle Morris, Director, Enterprise Risk and Audit Services

Approved for Submission:



D. Szwarc, Chief Administrative Officer

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: Jennifer Weinman, CPA, CA, CIA and Lorraine Bradbury Moore

Status of Outstanding Management Action Plans

Michelle Morris

Director, Enterprise Risk and Audit Services

Jennifer Weinman

Manager, Enterprise Audit Services



Report Highlights

- 78 per cent of the management action plans that were due to be implemented on or before December 31, 2017 have been implemented
- Current risk exposure of individual management action plans that were due but not fully implemented is high

Risk Rating Framework

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 achievement of outcomes/objectives, or cause unacceptable cost overruns, or project slippage, or program delivery issues and/or compromise Regional credibility and reputation

Risk Rating

Medium

Would cause moderate delays in achievement of outcomes/objectives, or cause unacceptable cost overruns, or project slippage, or program delivery issues and/or compromise Regional credibility and reputation

Low

May not result in delays in achievement of outcomes/objectives, or cause unacceptable cost overruns, or project slippage, or program delivery issues and/or compromise Regional credibility and reputation

Region of Peel Risk Universe

Corporate
Risk

Risk



Vision: Community for life

Living
People's lives are improved
in their time of need

Thriving
Communities are integrated
safe and complete

Leading
Government is future-
oriented and accountable

Term of Council Priorities

Services

Sub-services and Processes

Risk

Audit

Questions



DATE: May 29, 2018

REPORT TITLE: **AUDIT AND RISK COMMITTEE PUBLIC MEMBER PARTICIPATION**

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

RECOMMENDATION

That up to two members of the public be included in the Region of Peel's Audit and Risk Committee membership, as outlined in the report of the Director, Enterprise Risk and Audit Services titled 'Audit and Risk Committee Public Member Participation', effective the next term of Regional Council;

And further, that the Audit and Risk Committee Charter dated July 2015 be replaced by the Audit and Risk Committee Charter as contained in Appendix III of the subject report, effective the next term of Regional Council.

REPORT HIGHLIGHTS

- Increased participation and involvement by independent members of the public sitting on audit committees is becoming more prominent within the public sector.
- An environmental scan was conducted to assess the opportunities and risks associated with public member participation on audit committees.
- The proposed direction is to add two members of the public to the Region of Peel's Audit and Risk Committee to assist the Committee with addressing the emerging technology and financial related complexities facing the public sector environment.
- The inclusion of public members on the Audit and Risk Committee aligns with the Region of Peel's Strategic Plan 'Leading' area of focus.

DISCUSSION

1. Background

The Audit and Risk Committee, formerly known as the Audit Committee, was created in 1995 under resolution 95-59-37. Its objective is to assist Regional Council and associated boards and agencies in discharging their governance, accountability and stewardship responsibilities and specifically is responsible to review and advise on:

AUDIT AND RISK COMMITTEE PUBLIC MEMBER PARTICIPATION

- The integrity, quality and transparency of the Region's financial, management and operational information.
- The effectiveness of financial and management reporting processes.
- The effectiveness of risk management and control processes and practices.
- The performance of the internal audit function and the effectiveness of the external audit function.

As provided in the Membership section of the Audit and Risk Committee Charter dated July 2015, the Committee shall be comprised of five members; the Regional Chair (ex-officio), the Chair and Vice-Chair of the Enterprise Programs and Services Section of Regional Council and includes at least one member from each area municipality. The committee Chair and Vice-Chair is decided amongst the five Regional Councillors. The term of appointment is for a period of 24 months.

Transition is underway industry-wide involving both private and public sector audit committees. Increased participation and involvement by independent members of the public sitting on audit committees is becoming more prominent within the public sector. Independent public member participation is recognized as helping public sector organizations meet taxpayers' increasing demands for transparency and accountability. Independent member participation supplements committee expertise; in particular to address the emerging information technology and information management related complexities facing the public sector environment.

The focus on the independent oversight and advisory role reinforces the importance of independent public sector audit committees and the value they provide. ①

2. Environmental Scan

Throughout 2017, Enterprise Risk and Audit Services carried out a broad scope of work to better position the Region's internal audit function for the future. This work included realigning the service offerings and organizational structure of the function to better respond to trends in organizational risk and to add increased value to the Audit and Risk Committee.

As part of this work, Enterprise Risk and Audit Services conducted an environmental scan of leading practices for audit committees including public member participation. This included a literature review by recognized auditing related professional associations and organizations. Work also included a survey of 22 public sector organizations with audit committees to broadly assess the level of participation by members of the public on public sector audit committees. In addition, a selection of audit committees with public member participation was subsequently contacted for comments on the success and value of the program. The details of the literature review can be found in Appendix I and the results of the survey and the follow-up inquiry in Appendix II.

3. Opportunities and Risks

Research conducted through the environmental scan of leading practices for audit committees identified opportunities as well as a number of potential risks associated with public member participation on the Region's Audit and Risk Committee.

AUDIT AND RISK COMMITTEE PUBLIC MEMBER PARTICIPATION

Opportunities

- Key benefits in strengthening public sector audit committees as noted in Appendix I include broader collective knowledge; expanded individual experience and knowledge; greater committee independence and more varied community representation.
- Combines the strategic lens of Council with operational and technical expertise to provide value added expert advice and knowledge.
- Aligns with the 'Leading' area of focus for the Region's 2015-2035 Strategic Plan reflecting the future oriented and accountable approach to the plan, and advances the Committee by harnessing the expertise of external stakeholders.
- Direction is in line with current trends in audit and risk management. The Region would be a leader in this practice among regional municipalities.

Risks

- Ensuring public member independence may be a lengthy process, for example the member must not be a current vendor or have other business interests; member must be independent of Regional management; member must be independent of the internal or external auditors; etc.
- Defining the authority of the role of an independent member may be difficult to agree on, for example voting privileges.
- Reputational risk to the Region if the selected public member was subsequently determined to be not independent or otherwise not impartial.
- Minimal interest shown in the role by qualified individuals due to the level of commitment required for such a voluntary position.

4. Proposed Direction

Based on observations of public sector audit committee leading practices environmental scan, consideration should be given to adding two members of the public to the Region of Peel's Audit and Risk Committee. The proposed direction for Committee membership is the current five Regional Councillors plus up to two members of the public with technology and financial expertise. External members would have full Committee rights. Public member committee representation would provide a broader perspective and insights to help the Committee meet its roles and mandate. Expanded membership would increase the Committee's collective knowledge and range of expertise and experience particularly involving information and technology and financial matters; and overall would support taxpayers' increasing demands for transparency and accountability.

Following approval of the recommendations and effective the next term of Council, the Audit and Risk Committee Charter Section 1.4 Audit and Risk Committee Terms of Reference will be updated as outlined in Appendix III to this report to reflect the new Audit and Risk Committee membership structure. The revised Audit and Risk Committee Charter found in Appendix III includes the following changes by area:

Membership – wording revised to reflect the inclusion of up to two members of the public (non-elected members) on the Committee with expertise in the areas of technology and finance.

Non-elected Members, Non-elected Member Selection, Non-elected Member Remuneration and Expenses – all three areas are new additions to the Audit and Risk Committee Charter.

AUDIT AND RISK COMMITTEE PUBLIC MEMBER PARTICIPATION

Term of Appointment – wording revised to reflect both elected and non-elected members on the Committee.

Election of the Chair and Vice-Chair - wording revised to reflect both elected and non-elected members on the Committee.

Interim Changes – wording revised to include procedure to be followed if a non-elected member resigns prior to the end of the Term of Appointment.

CONCLUSION

Enterprise Risk and Audit Services periodically assesses the internal audit function and leading practices to help ensure that current practices appropriately align with industry methods and standards. Throughout 2017, Enterprise Risk and Audit Services carried out a broad scope of work to better position the Region's internal audit function for the future. As part of this work, Enterprise Risk and Audit Services conducted an environmental scan of leading practices for audit committees including public member participation. The proposed direction based on the results is to add two members of the public to the Region of Peel's Audit and Risk Committee current membership.

Footnotes:

① Global Public Sector Insight: Independent Audit Committees in Public Sector Organizations (Institute of Internal Auditors)



Michelle Morris, Director, Enterprise Risk and Audit Services

Approved for Submission:



D. Szwarc, Chief Administrative Officer

APPENDICES

Appendix I – Literature Review

Appendix II – Assessment

Appendix III – Audit and Risk Committee Charter

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: Jennifer Weinman, CPA, CA, CIA, CRMA and Sean Lee, CPA, CGA, CIA, CISA, CGAP, CRMA, PMP

APPENDIX I AUDIT AND RISK COMMITTEE PUBLIC MEMBER PARTICIPATION

Literature Review

In June 2014, the Institute of Internal Auditors developed and released the Global Public Sector Insight report. The purpose of this report was to communicate the importance of an independent public sector audit committee. Other sources referenced included the Association of Local Government Auditors which is a professional organization committed to supporting and improving auditing through advocacy, collaboration, education, and training; and secondly the Committee of Sponsoring Organizations which is a joint initiative of five private sector organizations including the Institute of Internal Auditors that provides leadership through the development of frameworks and guidance on enterprise risk management; internal control; and fraud deterrence.

Key themes identified in strengthening public sector audit committees are as follows:

- **Collective Knowledge**

The key to an audit committee's effectiveness is having members with an appropriate mix of skills and experience relevant to the organization's responsibilities. Leading practices suggest that organizations employ an explicit, competency based selection process.^② Audit committee members should have the collective expertise necessary to most effectively exercise their committee duties. Audit committees should include members of both the legislative body; as well as financial, technology, and management experts from the community.

Added financial, technology, and management related expertise reinforces and supplements audit committee skills and experience. This includes an understanding of financial statements and accounting principles; strategic financial risk; internal controls and procedures; as well as the ability to apply these principles and add value in the oversight of financial and technology areas, particularly in light of the growing reliance on emerging digital technology and its associated risks.

Research indicates that the additional expertise and collective knowledge is the number one enhancement provided by public member participation on audit committees.

- **Public Interest Feature**

While there are many similarities between the features of audit committees operating in the public and private sectors; one significant difference is the 'public interest' feature that applies to public sector audit committees. 'Public interest' is the fundamental obligation to ensure that public organizations meet their commitments to constituents and society at large; including public oversight. This can be achieved in part through inclusive participation by a range of individuals reflecting the wide range of groups within society. High performing audit committees create a better future for the community.^①

- **Independence**

Audit committee members should be independent of management, and should include a majority of external members. Independent audit committees help public sector organizations meet taxpayers' increasing demands for transparency and accountability around governance, risk management, and internal control practices of public sector organizations.

^① Global Public Sector Insight: Independent Audit Committees in Public Sector Organizations (Institute of Internal Auditors)

^② Leading practices reference is to non-elected official

APPENDIX II AUDIT AND RISK COMMITTEE PUBLIC MEMBER PARTICIPATION

Assessment

Enterprise Risk and Audit Services conducted an assessment of 22 public sector organizations with audit committees including Regional municipalities; cities; towns; one federal government agency; one transit commission; and school boards. Ten of 22 organizations assessed, or 45 per cent had public member representation of some form including:

- City of Burlington – mayor, 3 councillors and 2 to 4 members of the public
- City of Edmonton – mayor, 4 councillors and 2 members of the public
- City of London – 4 councillors and 1 member of the public
- Town of Newmarket – mayor, 2 councillors and 3 members of the public
- Prince Edward County – 4 councillors and 1 member of the public
- Office of the Privacy Commissioner of Canada – commissioner (ex-officio member) and 2 external members
- Toronto Transit Commission – 11 commissioners and 4 members of the public
- Waterloo Region District School Board - 3 trustees and 2 members of the public
- York Catholic District School Board – 3 trustees and 2 members of the public

In addition to these, the Ontario Ministry of Education requires that each individual school board's audit committee include volunteer community members. Committees are typically comprised of three elected trustees plus two volunteer committee representatives; including the Waterloo Region District School Board and the York Catholic District School Board assessment results above. There are a total of 76 school boards in Ontario.^③

A follow-up inquiry was conducted of six of the above organizations including municipalities and school boards with public member participation. Each was asked four questions regarding the success and value added with the public member role; as well as any related problems or concerns. Responses were received from five of the six organizations. Responses were very positive in all cases on the success of public member participation.

^③ 'Ministry of Education' – School Information Finder and supporting spreadsheet



Audit and Risk Committee Charter

Effective December 2018

1. AUDIT AND RISK COMMITTEE CHARTER

1.1 OBJECTIVE

The objective of the Audit and Risk Committee is to assist Regional Council and associated Boards and Agencies in the discharge of their governance, accountability and controllership responsibilities by advising that risks are being appropriately addressed through strong governance, a risk/control and compliance framework, appropriate stewardship and an effective internal audit activity.

This includes reviewing and advising on:

- The integrity, quality and transparency of the Region's financial, management and operational information.
- The effectiveness of the financial and management reporting processes.
- The effectiveness of risk management and control processes and practices.
- The performance of the internal audit activity and assessing the effectiveness of the external audit function.
- Ethical business conduct and compliance with the Region of Peel's Employee Code of Conduct.

1.2 AUTHORITY

The Audit and Risk Committee receives its authority to exercise its responsibilities under resolution from Regional Council. The Audit and Risk Committee acts as a forum for communication among Regional Council, senior management and the external/internal auditors. The Audit and Risk Committee within the scope of its roles and responsibilities is authorized to:

- Authorize investigations into any matters it deems necessary.
- Obtain any information it needs from internal/external audit and management.

- Request the attendance of any employee or external party at Audit and Risk Committee meetings.
- Discuss any matters with the Director, Internal Audit.

1.3 ROLES AND RESPONSIBILITIES

The responsibilities of the Audit and Risk Committee may be revised by Regional Council resolution. In each of its specific areas of responsibility, the Audit and Risk Committee, through Internal Audit or other means, has a responsibility to receive and evaluate information related to areas of risk or vulnerability within the Region of Peel and the agreed upon management actions to effect change in these areas.

Risk Management and Control Framework

Based on information provided by Internal Audit and other Regional business functions:

- Review if management has a risk management framework and the associated procedures for effective identification and management of the Region's financial, operational, strategic, reputation and compliance risks.
- Review the impact of the risk management framework on the control environment.
- Review and evaluate policies and processes to manage significant risks or exposures and steps taken to monitor risks.
- Review and approve the Corporate Risk Profile.
- Review if management's approach to maintaining an effective control framework, including external parties such as contractors and advisors, is sound and effective.
- Review that funds transferred to the Regional financed external organizations and agencies are accounted for and used in a manner consistent with Regional goals and objectives [Internal Audit does not have the authority to audit these external organizations unless approved by the applicable governing board. Internal Audit does have responsibility to provide assurance that such funds are consistently managed to the standards of care prescribed by the Region].

Audit and Risk Committee Charter

- Review processes to determine if the organization has in place relevant policies and practices and whether these are periodically reviewed and updated and that they are complied with.
- Review information and reports that assess key themes and issues affecting risk and control from a Regional perspective.
- Review that management has taken steps to embed a culture which is committed to ethical and legal behaviour including compliance with laws, legislation and regulation.
- Review administration of and compliance with the Region's Employee Code of Conduct including the processes for educating and communicating the Code to Regional personnel.
- Review follow-up procedures on management action plans. Review explanations for those not yet implemented.

Internal Audit Activities

- Approve the risk based internal audit plan recommended by the Director of Internal Audit.
- Approve the integrated risk management plan recommended by the Director of Internal Audit.
- Receive audit or engagement reports identifying the key issues and the actions taken to address the issues.
- Review the status of management action plans.
- Review and approve the Internal Audit Charter and discuss if the appropriate authority, access and reporting arrangements are in place.
- Review audit plan status.
- Review results of the annual client satisfaction survey.
- Review results of the annual fraud survey on fraud risk and fraud allegations.

Audit and Risk Committee Charter

- In conjunction with the Director, Internal Audit, review Internal Audit's compliance with the Standards for the Professional Practice of Internal Auditing, including adequate quality assurance practices, appropriate staffing and effective operational management.
- Review the adequacy of resources to allow Internal Audit to carry out its responsibilities, including completion of the annual and longer term audit plans.
- Ensure clear and independent communication and reporting lines exist between the Director, Internal Audit and the Audit and Risk Committee.

External Audit Activities

- Recommend for Council approval the appointment of the external auditor for the Region of Peel and Peel Housing Corporation for a five year term.
- Recommend for Council approval the terms of engagement and fees of the audit external auditor.
- Recommend for Council approval the scope and approach of the annual external audit plan.
- Review the independence and qualifications of the external auditor.
- Review matters brought forward that in the external auditor's professional judgment may have a bearing on independence.
- Review the annual management letters by the external auditors and make recommendations to Regional Council and Peel Housing Corporation Board where necessary.
- Consider the external auditor's judgments about the quality and appropriateness of the Region's accounting principles as applied in the Region of Peel and Peel Housing Corporation financial reporting.
- Respond to the external auditor's questions related to the Committee's view of fraud risk, fraud allegations and the Committee's role in the Region's fraud program.

- Monitor the coordination of the internal and external audit functions.

Financial and Management Reporting and Financial Statements

- Provide assurance to Regional Council and Peel Housing Corporation Board that information reported by management at the Region of Peel and Peel Housing Corporation reasonably portrays the financial condition, results of operations, plans and long-term commitments of those organizations.
- Review Region of Peel and Peel Housing Corporation financial statements and recommend approval by Regional Council and the Peel Housing Corporation Board (for example Annual Financial Statements).
- Review management reports which may accompany published financial statements.
- Review with external auditors and management the results of the audit and, if necessary, any qualification to the audit opinion.

1.4 AUDIT AND RISK COMMITTEE TERMS OF REFERENCE

Reporting Function

The Audit and Risk Committee will serve in an advisory capacity by making recommendations to Regional Council and Peel Housing Corporation Board. The Audit and Risk Committee will be required to report after each meeting to a subsequent meeting of the Enterprise Programs and Services Section of Regional Council and the Peel Housing Corporation Board, as required.

Membership

The Audit and Risk Committee shall be comprised of the Regional Chair (ex-officio) and up to seven members including the Chair and Vice-Chair of the Enterprise Programs and Services Section of Regional Council, at least one Regional Councillor from each area municipality and up to two members of the public with expertise in the areas of technology and finance.

All committee members will have full voting privileges.

Audit and Risk Committee Charter

Committee members are expected to gain familiarity with the Audit and Risk Committee Charter and the Regional Council Procedure By-law 9-2018. Members will be expected to contribute their expertise actively during meetings of the Audit and Risk Committee.

Non-elected Members

Eligibility:

- Be a resident or the owner or tenant of land in the Region of Peel.
- Have a professional accounting and/or information technology designation(s) with a minimum of 10 years' experience.
- Be independent of the internal or external auditors of the Region of Peel or of a municipality within the Region of Peel.

The Prospective Candidate Cannot Be:

- An elected official of Regional Council or of the Council of a municipality in the Region of Peel.
- An employee of the Region of Peel or of a municipality in the Region of Peel.
- A current Vendor or have any other business interest with the Region of Peel or of a municipality within the Region of Peel.

Desired Competencies:

Will include individuals with the following skill set:

- Financial expertise including accountants or auditors with an understanding of financial statements.
- An understanding of risk and financial controls.
- Information technology expertise or background including information management and information security.
- Professionals who in the course of their duties are required to adhere to codes or standards of their profession.
- A minimum of 10 years of professional experience in a complex organization.
- Excellent verbal, written, listening, teamwork, and collaboration skills.
- Experience working on a committee, task force or similar setting.

Non-Elected Member Selection

The terms of reference, Section 1.4 of the Audit and Risk Committee Charter, and an application form will be posted, as a minimum, on the Region of Peel website. The Clerk may also contact and solicit individuals who meet the criteria as set out under “Membership” of the Terms of Reference. In addition, advertisements will be placed in local papers.

All applicants for membership will be required to complete an application form outlining their qualifications and experience.

Staff will review applications from prospective candidates to determine if the prospective candidate meets the minimum eligibility requirements as set out above. If the minimum eligibility requirements are met, the Regional Clerk can request that an interview be set up with the Audit and Risk Committee Interview Panel.

The Audit and Risk Committee Interview Panel shall be comprised of the Regional Clerk, the Director Enterprise Risk and Audit Services, and the Regional Chair.

After the interview is complete, the Interview Panel shall forward a report to Regional Council with a recommendation regarding the suitability of the prospective candidates. Regional Council shall appoint non-elected members to the Committee.

The term of membership for new members appointed through this process will coincide with the term of Regional Council.

Audit and Risk Committee Charter

Non-elected Member Remuneration and Expenses

Non-elected members of the Audit and Risk Committee will serve without remuneration. Non-elected members shall be eligible for reimbursement of expenses incurred which are deemed necessary for full participation in the Audit and Risk Committee.

Term of Appointment

The Term of Appointment of Audit and Risk Committee members, including elected and non-elected members, will be for a period of 24 months, which coincides with the term of appointment for the Chair and Vice Chair of the Enterprise Programs and Services Section of Regional Council. Regional Council will ensure each area municipality is represented by appointing an additional member(s) not represented by the Chair and Vice-Chair of the Enterprise Programs and Services Section of Regional Council.

Election of Chair and Vice-Chair

The Audit and Risk Committee will elect from its members, including elected and non-elected members, a Chair and Vice-Chair, and this election will be held at the Audit and Risk Committee's first meeting of a new term. There are two 24 month terms during the 48 month municipal election term, therefore the election of Chair and Vice-Chair will be held twice.

Quorum

Quorum shall compromise a majority of the Audit and Risk Committee members.

Interim Changes

Should an elected member of the Committee resign before the Term of Appointment expires, a replacement will be appointed by Regional Council to serve the remaining time of the Term of Appointment.

Should non-elected members resign before the Term of Appointment expires, a replacement will be appointed by Regional Council to serve the remaining time of the Term of Appointment, following the execution of the non-elected member selection process.

Meetings

The Audit and Risk Committee will be required to meet at least three times each year, and at other times as needed, or at the call of the Audit and Risk Committee Chair.

Audit and Risk Committee Charter

The Audit and Risk Committee meetings will be open meetings, and all reports and minutes will be available to the public. For the consideration of confidential matters, the Audit and Risk Committee has the authority under Resolution 2000-426 to go In Camera.

Audit and Risk Committee Resources

Audit and Risk Committee resources will be provided by the Commissioner of Corporate Services, the Regional Clerk, the Director of Internal Audit and the external auditors. A designate of the Regional Clerk will serve as the secretary to the Audit and Risk Committee and provide administrative support.

Review of Audit and Risk Committee Charter

The Charter will be reviewed every year. Suggested changes will be reported to the Audit and Risk Committee for their consideration and Regional Council approval.