

Background

- The mandate of the Finance, Audit & Risk Management (FARM) Committee includes the appointment of internal auditors (as appropriate), as well as oversight of enterprise risk management (ERM) as follows:
 1. Review with Management significant matters involving the status of the Corporation's enterprise risk management activities; and
 2. Make recommendations to the Board with respect to various material risks affecting the Corporation and the adequacy of the controls in place to identify, assess, manage, and mitigate such risks.
- To support these oversight responsibilities, the FARM Committee has appointed an internal auditor to determine key risk areas and undertake a risk-based internal audit plan.
- Since 2005, Waterfront Toronto has undertaken 17 internal audits covering key risk areas, the last one completed by MNP LLP in March 2016 on Billings & Collections.
- The FARM Committee also has oversight responsibility for Project Risk Management and this is reported quarterly under the "Project Updates" section of the FARM materials.
- Subsequent to the March 9, 2017 FARM Committee meeting, Waterfront Toronto updated its enterprise risk matrix (last version completed in March 2016) to consider the Corporation's new strategic priorities and direction.
- The objectives of the ERM update were to a) determine and assess Waterfront Toronto's current key risk areas and corresponding risk mitigation strategies; and b) evaluate their feasibility in comprising the next phase of the risk-based internal audit plan.
- Subject to FARM Committee approval, Waterfront Toronto will engage an internal auditor to implement a new internal audit plan if this is deemed necessary.

Update on Risk Universe Review

- The ERM initiative involved the development of a Risk Register covering both corporate and project-specific risks (e.g., risks attributed to Waterfront Toronto's transformational projects). The components of this risk management tool include:
 1. The identification of key risks and the respective risk owner;
 2. An assessment of the impact and likelihood of the risk (inherent risk);
 3. Development of the mitigation measures and assessment of the effectiveness (controls in place to mitigate the risk); and
 4. An assessment of the risk level after the mitigation strategies (residual risk).
- A total of 38 risks were identified (31 corporate risks and 7 project-specific risks) and evaluated according to residual risk levels (1 high risk, 22 medium risks, and 15 low risks). (refer to Appendix A for the top 10 residual risks/action plan and Appendix B for the risk universe prioritization/listing).
- The top risk which was assessed as the only high risk pertains to Waterfront Toronto's risk exposure on the management of systems, processes, and information. This relates to the risk of systems reliability and scalability given that Waterfront Toronto's IT infrastructure and enterprise software are currently at end-of-life. Waterfront Toronto is currently evaluating new financial/accounting systems for end of 2017 target implementation as a key risk mitigation measure.
- Other key risks were assessed as medium risks and these mainly focused on: government revenues assumed in the Corporate Plan, operational governance, and current initiatives (e.g., Cherry Street Stormwater and Lakefilling, etc.).

- Based on Management's assessment of the risk exposure, the proposed risk management measures are as follows:
 - a) To address the one high risk on management of systems, processes, and information, Management recommends procuring an independent ERP Implementation Risk Advisor to provide oversight and guidance during the implementation of the new financial/ accounting system(s) targeted this fiscal year.
 - b) To address the remaining nine risks (Appendix A), Management recommends that these be internally managed and monitored on a regular basis due to the nature of the risks. Some of these key risk areas are contingent upon external considerations such as market factors impacting the development revenues and securing the required government commitments.
- Management will provide the FARM Committee with an update should any additional material risks arise in the interim, including the requirement/ recommendation for a new internal audit plan.

Committee Action Required

None

Appendix A – Waterfront Toronto’s Top 10 Residual Risks

Auditable Unit	Risk Description	Residual Risk Score (Max. 25)	WT Action Plan
1. Management of Systems, Processes & Information	Unable to manage systems and business processes to generate accurate and timely financial, management, and project-related reports, resulting in inaccurate and inefficient financial and project reporting or sub-optimal decision making, or not being able to meet regulatory compliance.	16.0	<ul style="list-style-type: none"> WT to replace its current financial and accounting system with a new cloud-based enterprise resource planning (ERP) system that integrates fully finance/accounting, project management information system (PMIS), customer relationship management (CRM), and human resource information system (HRIS), to significantly enhance productivity and facilitate timely decision making.
2. Government Revenues – Corporate Plan	<p>(A) Unable to obtain revenue streams from government as budgeted in the Long Term Plan, e.g. Section 37 revenues, parkland dedication.</p> <p>(B) Unable to obtain Provincial approval to oversee disposition of additional blocks in West Don Lands, resulting in loss of planning and development control in the area.</p>	12.8	<ul style="list-style-type: none"> WT discussions with governments ongoing to secure funding commitments/agreements for re-directing these revenue sources from the City to WT. Revenues associated with West Don Lands to be removed in the ongoing Long Term Plan process for the new 2018/19 Corporate Plan as per direction from the Province.
3. Government Approvals	Unable to obtain government approvals for: (a) planning / development projects, (b) funding agreements through Contribution Agreements/Delivery Agreements, and (c) any required changes to borrowing consent, in a timely manner resulting in project delays and inadequate financing structure, respectively.	12.8	<ul style="list-style-type: none"> WT discussions with governments ongoing (e.g., through the Operations Working Group/OWG meetings with the waterfront secretariats, Inter-Governmental Steering Committee/IGSC meetings, regular project meetings with City) to address project funding issues and outstanding funding agreements.
4. WT Operational Resilience	Unable to meet overarching strategic objectives due to a high volume of projects and inadequate internal resources.	9.6	<ul style="list-style-type: none"> As part of the ongoing development of the Organizational Resilience Plan, WT Management is currently evaluating the organizational structure/ staff complement and internal processes for prioritizing projects to ensure that resources are devoted to

Auditable Unit	Risk Description	Residual Risk Score (Max. 25)	WT Action Plan
			projects that help realize the vision of the new strategic plan.
5. Tri-Government Goal Alignment	Misalignment of objectives between the three orders of government and WT resulting in differing priorities and delay in commitments, funding, approvals and project implementation.	9.6	<ul style="list-style-type: none"> Government committees are in place to ensure congruence of priorities and objectives (e.g., through OWG and IGSC).
6. Operational Governance	Corporation not being able to make changes to operational governance, such as the ability to create subsidiaries, jeopardizing future ventures related to the development of Quayside.	9.6	<ul style="list-style-type: none"> Management is currently undertaking a review of any required changes to the operational governance. Any proposed changes will be discussed with the Governance Committee and subsequently with the IGSC within 2017/18.
7. IT Security	Unable to manage security breach resulting in possible loss of corporate/financial/personal information and reputational impact.	9.6	<ul style="list-style-type: none"> Risk being managed through IT preventive measures (e.g., firewalls, password security features, penetration tests) in place.
8. The Bentway	If delivered scope falls short of expectations, this could negatively impact WT reputation and future philanthropic initiatives.	9.6	<ul style="list-style-type: none"> Risk being managed through ongoing monitoring of project issues (e.g., weekly project managers meetings, quarterly Board/FARM updates).
9. Cherry Street Stormwater and Lakefilling	Project issues, particularly those relating to: (a) regulatory approvals (e.g., pending approval from Department of Fisheries and Oceans/DFO), and (b) financing hurdles (e.g., ineligible expenditures as defined by the CWWF such as real estate costs and possible L/C costs), could result in project delays and reputational impact.	9.6	<ul style="list-style-type: none"> Risk being managed through ongoing monitoring of project issues (e.g., weekly project managers meetings, quarterly Board/FARM updates).
10. Government Revenues - Port Lands Flood Protection	Unable to obtain funding committed by government in a timely manner.	8.0	<ul style="list-style-type: none"> Tri-government discussions ongoing (e.g., through IGSC).

Residual Risk is the remaining risk after taking into account the loss control/mitigation measures (i.e. processes, systems, resources, etc.).

Appendix B – Waterfront Toronto’s Risk Universe

Risk Score	
Low (1-6)	
Medium (>6 - 14.9)	
High (15 - 25)	

Auditable Unit	Inherent Risk Score (Max. 25)	Residual Risk Score (Max. 25)
A. Corporate Risks (31 Risks)		
1. Management of Systems, Processes & Information	20.0	16.0
2. Government Revenues – Corporate Plan	16.0	12.8
3. Government Approvals	16.0	12.8
4. WT Leadership/ Operational Resilience	12.0	9.6
5. Tri-Government Goal Alignment	12.0	9.6
6. Operational Governance	12.0	9.6
7. IT Security	12.0	9.6
8. Government Revenues - Ports Lands Flood Protection	10.0	8.0
9. Recruitment & Retention of Employees	12.0	7.2
10. Current Projects – Authority to Execute on Mandate	12.0	7.2
11. Revenues - Development Revenues	12.0	7.2
12. Public and Stakeholder Engagement -- Communication	12.0	7.2
13. Leadership	12.0	7.2
14. Brownfield Redevelopment	9.0	7.2
15. Estimating	8.0	6.4
16. Sponsorship & Donor Opportunities	8.0	6.4
17. Cash Flow Management	12.0	4.8
18. Litigation	12.0	4.8
19. Contract Commitments	12.0	4.8
20. Procurement - Sole Sourcing	12.0	4.8
21. Public and Stakeholder Engagement – Outcomes	12.0	4.8
22. Procurement – Tendering	8.0	4.8
23. Contractor Availability	6.0	4.8
24. Schedule Management	6.0	4.8
25. Corporate Regulatory Compliance	6.0	3.6
26. Revenues - Other Revenues	6.0	3.6
27. Internal Organization / Structure	8.0	3.2
28. Innovation & Sustainability	8.0	3.2
29. Partnerships	8.0	3.2
30. Project Budget Management / Cost Control	8.0	3.2
31. Business Continuity and Disaster Recovery	4.0	2.4

Auditable Unit	Inherent Risk Score (Max. 25)	Residual Risk Score (Max. 25)
B. Project-Specific Risks (7 Risks)		
1. Flood Protection Project	12.0	7.2
2. The Bentway	12.0	9.6
3. Cherry Street Stormwater and Lakefilling	12.0	9.6
4. Bayside Phase 2	9.0	7.2
5. Jack Layton Ferry Terminal Phase 1A	9.0	7.2
6. Bayside External Services	8.0	6.4
7. Quayside	8.0	6.4

Inherent Risk is the risk exposure existing in the organization in the absence of any action to control or modify the circumstance. Inherent risk score is based on the impact or severity of the risk to the organization multiplied by the likelihood or probability of its occurrence.

Residual Risk is the remaining risk after taking into account the loss control/mitigation measures (i.e. processes, systems, resources, etc.).