<table>
<thead>
<tr>
<th>Agenda Item</th>
<th>Item 4, Finance, Audit &amp; Risk Management (FARM) Committee, March 8, 2018</th>
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<tbody>
<tr>
<td><strong>Purpose</strong></td>
<td>1. To review the results of the independent Peer Review of the Corporation’s Risk Register; and 2. To review and approve the proposed internal audit plan.</td>
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| **Key Message** | • MNP noted areas of strength as well as several opportunities for improvement with respect to the Corporation’s ERM framework.  
• MNP noted that the cumulative exposure of multiple key risks is creating a vulnerability for the Corporation that should be managed through the mobilization of a change management function;  
• Based on the Risk Register, MNP have proposed the following areas of audit scope for 2018/19:  
  o Corporate Governance; and  
  o Cybersecurity. |
| **Areas of note/Key issues** | Refer to the attached presentation of MNP which includes:  
• An Overview of the Peer Review Results and Recommended Audit Plan (slides 2-4);  
• Details of the Peer Review of Risk Register Results (Appendix A);  
• Internal Audit Plan (Appendix B);  
• Risk Register Summary (Appendix C) – Confidential Attachment; |
| **Expected Outcome** | That the FARM Committee approve the proposed internal audit plan for fiscal years 2018/19 and 2019/20. |
| **Key Takeaways/Next Steps** | An ERM status update report will be provided to the FARM Committee on a quarterly basis, beginning May 31, 2018. This will include the status of:  
• Key enterprise-wide risks;  
• Waterfront Toronto’s implementation of MNP’s key ERM recommendations; and  
• Implementation of the Internal Audit Plan. |
Waterfront Toronto

Peer Review of Risk Register & Proposed Audit Plan

March 8, 2018
Peer Review of Risk Register – Summary

- Risk Register (list of risks) has been reviewed and validated through interviews, workshops and comparisons with best practices
  - Inventory of risks reflects the range of issues facing the Corporation
  - Assessment of risk reflective of current state based on staff expertise and experiences
  - Mitigation of key risks reasonable, aiding the reduction of exposure
  - A summary of the Risk Register can be found in Appendix C, included as a confidential attachment

- Updates were made to tools and documentation
  - Enhanced usability and manageability
  - More reflective of current process

- Several improvement opportunities were noted (further details available in Appendix A)
  - Enhance analysis of risk interactions (i.e. cumulative outcome of risks)
  - Align corporate risk and project risk processes
  - Increase efficacy of assessment (specifically accuracy and precision)
  - Establish escalation criteria
  - Determine ‘acceptability’ of risks (e.g. appetite and/or tolerance)
Cumulative Exposure of Key Risks

- Cumulative exposure (or interaction) of multiple key risks is creating a vulnerability, leading to a potential for:
  - Executive Team being overwhelmed → potential for departure of key leader
  - Organisational resilience being weakened → potential for failure on any of 11 ongoing organizational initiatives
  - Lack of capacity to effectively manage change → increased probability not transitioning to the vision of Waterfront 2.0
  - Lack of bandwidth on multiple complex and high profile projects → increased probability missing project milestones

- There is an need to complete strategic planning, support HR capacity building, and strengthen change management capability
  - Complete update of the 5-year Strategic Plan to clarify future state vision of Waterfront Toronto 2.0
  - Bolster HR on-boarding to fill vacancies and strengthen capabilities
  - Mobilize a change management function to support transformation of Waterfront Toronto
    - Manage the risks of changing the business while at the same time delivering large complex projects
    - Change readiness to identify gaps
    - Develop a road map of activities (who/what/why/when)
    - Ongoing support for project, core support, and Executive teams
    - Measure and track change progress

Noted Ongoing Organisational Initiatives
1. New ERP system
2. 3S New Hires
3. New PMO Function
4. Office Space Expansions
5. Technology Investments
6. Market Salary Adjustments
7. Organizational Performance Measurement and Reporting Framework
8. Enterprise Content Management Strategy
9. 5 Year Business Plan
10. Creation of a Diversity & Inclusion Program
11. Restructuring and Streamlining of Board Sub Committees
**Recommended Audit Plan – Overview**

- Based on the refined risk register, a proposed inventory of future audits has been developed (adjacent table)
  - Audit plan includes key risk areas, and considered ongoing initiatives and past audit areas
  - Timing and sequencing of audits to be determined based on discussions with management

- Other audits were considered for inclusion on the audit plan, however these were not selected for the following reasons:
  - HR Capacity Plan audit to be deferred due to the implementation of a Chief Operating Officer (COO) to aid in the management of organisational change and continuing delivery of mandate
  - ERP Implementation and broader ERP Internal Controls audits considered, but deferred as other parties are set to audit these areas

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<tr>
<th>Period</th>
<th>Audit Area</th>
<th>Proposed Audit Scope</th>
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<tbody>
<tr>
<td>Q2 18/19</td>
<td>Cybersecurity</td>
<td>To assess the design and operating effectiveness of WT’s IT security program / strategy / framework, (including processes and controls) relating to cybercrime prevention, detection and incident response.</td>
</tr>
<tr>
<td>Q4 18/19</td>
<td>Corporate Governance</td>
<td>To assess WT’s governance structure (i.e. committees, board, etc.). Particular focus will be placed on assessing: alignment with operational model; alignment with strategic direction; and alignment with public sector standards and best practices.</td>
</tr>
<tr>
<td>Q2 19/20</td>
<td>Project Management Process Controls</td>
<td>To assess business processes and controls within the Project Management Information System (PMIS) functions of the ERP and the related processes performed by the Project Management Office (PMO). Particular focus will be placed on how the project management functions will serve WT in upcoming years, with regards to: Design and operating effectiveness of controls; Efficiency and effectiveness of process workflow against best practices; Key ERP system reports are reliable (i.e. complete and accurate); Key application functions and reporting perform as expected and meet defined business processes.</td>
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<tr>
<td>Q4 19/20</td>
<td>Procurement</td>
<td>To assess procurement processes and controls in order to determine if procurement processes are in conformance with applicable procurement directives and policies of the various levels of government.</td>
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**Audits Considered – NOT Proposed**

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<th>Audit Area</th>
<th>Proposed Audit Scope</th>
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<tr>
<td>N/A</td>
<td>HR Capacity Plan</td>
<td>To assess the 2018/2019 HR Capacity Plan by reviewing the management control framework in place for developing and implementing integrated human resources plans that aim to help successfully deliver on WT’s strategic objectives.</td>
</tr>
<tr>
<td>N/A</td>
<td>ERP System Implementation</td>
<td>To assess the effectiveness of key controls and related system implementation and data migration activities.</td>
</tr>
<tr>
<td>N/A</td>
<td>ERP System Internal Controls</td>
<td>To assess selected business processes and controls within the ERP system (within selected in-scope areas of CRM, HRIS, accounting/finance).</td>
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*Refer to Appendix B for details*
Appendix A
Peer-Review of Risk Register
Scope

- Peer review of Waterfront Toronto’s enterprise risk register and development of a two-year internal audit plan

Objectives

- Review and provide recommendations on the comprehensiveness and reasonableness of Waterfront Toronto’s corporate risk register and mitigation plan
- Develop and implement a corresponding two-year internal audit plan comprising core risk areas

Process

- To facilitate the Peer Review of the Risk Register, MNP:
  - Reviewed key documentation
  - Facilitated interviews with key staff, including Risk Taskforce and Executive Team
  - Conducted review of inventory of risks considering best practice
  - Facilitated validation workshop with Risk Taskforce and Executive Team
  - Developed report, with observations and improvement opportunities
  - Validated report with management
Observations & Improvement Opportunities (1/2)

- Below are specific observations on the ERM process at Waterfront Toronto; information is organized into three categories (people, process and system)

**People**

- Observations
  - ✓ Risk Taskforce has cross-departmental representation, allowing for various perspectives on risk items
  - ✓ Executive Team involved in risk identification, assessment and treatment
    - × Noted lack of formal training for the members on the risk management process and best practices

- Opportunities for Improvement
  - o Facilitate formal training for the Risk Taskforce and Executive Team on ERM

**Process**

- Observations
  - ✓ Current approach utilizes information from various sources (through the Risk Taskforce) which is validated by Executive Team
  - × Inconsistent application of the assessment criteria (probability/consequence) that was documented in the ERM Framework during the assessment
  - × Current lack of formal consideration for risk interaction (i.e. cumulative outcome), acceptability of risk or the escalation requirements for risks
Observations & Improvement Opportunities (2/2)

Process cont.

- Opportunities for Improvement
  - Review the assessment criteria to ensure it is reflective of the current state of the Corporation
  - Develop formal training for the Risk Taskforce and Executive Team on ERM
  - As data becomes more easily available through the enhancement of systems, work to integrate such information to enhance both the accuracy and precision of assessment
  - Establish the practice of – and tools for – assessing risk interactions
  - Consider documentation of risk appetite and/or risk tolerance
  - Consider documentation of thresholds for the escalation of risk

System

- Observations
  - ✓ Risk Register tool includes appropriate fields
  - × Risk Register does not currently include appropriate Project-specific risks, as PMO and Expert Panel structure is not fully implemented
  - ✓ Report format for FARM/Board reasonable, but may need to be enhanced with future change

- Opportunities for Improvement
  - Utilize information from the PMO and the Expert Panel to include/report on appropriate risk items in Corporate Risk Register (once available)
  - Review report format as ERM enhancements are made
Appendix B
Audit Plan
# Recommended Audit Plan

<table>
<thead>
<tr>
<th>Period</th>
<th>Audit Area</th>
<th>Division</th>
<th>Risk Description</th>
<th>Proposed Audit Scope</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q2</td>
<td>Cybersecurity</td>
<td>I&amp;IT</td>
<td>I&amp;IT Security: The risk that WT is unable to manage an IT security breach, resulting in possible loss of corporate/financial/personal information and reputational impact. MEDIUM.</td>
<td>To assess the design and operating effectiveness of WT’s IT security program / strategy / framework, (including processes and controls) relating to cybercrime prevention, detection and incident response.</td>
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<tr>
<td>18/19</td>
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<tr>
<td>Q4</td>
<td>Corporate Governance</td>
<td>Enterprise-Wide</td>
<td>Organizational Resilience: The risk that WT is unable to prepare for, and respond to, the increase in scale and scope of projects (including, but not limited to, adequate resources, structure and processes), resulting in an inability to deliver on key strategic objectives. HIGH.</td>
<td>To assess WT’s governance structure (i.e. committees, board, etc.). Particular focus will be placed on assessing: • Alignment with operational model; • Alignment with strategic direction; • Alignment with public sector standards and best practices; • Specific issues of concern with the current governance structure. A review will also be performed on the WT Organizational Resilience Plan as it was identified as a key mitigation to address this risk area.</td>
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<tr>
<td>28/19</td>
<td></td>
<td></td>
<td>Corporate Governance: The risk that WT’s governance structure, principles and operations are not working effectively, resulting in impacts to decision-making, accountability and transparency. HIGH.</td>
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<tr>
<td>Q2</td>
<td>Project Management Process Controls</td>
<td>Project Management Office (PMO)</td>
<td>Management of Systems, Processes &amp; Information: The risk that WT is unable to produce accurate and timely financial reports, resulting in impacts to decision-making, accountability and transparency. HIGH.</td>
<td>To assess business processes and controls within the Project Management Information System (PMIS) functions of the ERP and the related processes performed by the Project Management Office (PMO). Particular focus will be placed on how the project management functions will serve WT in upcoming years, with regards to: • Design and operating effectiveness of controls; • Efficiency and effectiveness of process workflow against best practices; • Key ERP system reports are reliable (i.e. complete and accurate); • Key application functions and reporting perform as expected and meet defined business processes.</td>
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<tr>
<td>19/20</td>
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<tr>
<td>Q4</td>
<td>Procurement</td>
<td>Finance &amp; Administration</td>
<td>Procurement - Compliance: The risk of non-compliance with procurement policy, resulting in public scrutiny or litigation. MEDIUM.</td>
<td>To assess procurement processes and controls in order to determine if procurement processes are in conformance with applicable procurement directives and policies of the various levels of government. Particular focus will be placed on assessing whether: • Procurements are conducted following the principles of value for money, vendor access, transparency, and fairness; • Controls are in place to enable efficient and effective delivery of procurement activities; • Roles and responsibilities of all parties involved in the procurement process are defined and understood by all parties; • Mechanisms are in place to help mitigate risks comply with procurement directives and policies; • Procurement process requirements (as dictated by legislation/directives/policies) and best practices are clearly defined and followed.</td>
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<tr>
<td>19/20</td>
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<td>Procurement - Tendering: The risk that WT is unable to effectively procure suppliers, resulting in project delays or objectives not being met. LOW.</td>
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# Audits Considered, but NOT Proposed

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<tr>
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<th>Risk Description</th>
<th>Proposed Audit Scope</th>
<th>Additional Comments</th>
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| HR Capacity Plan                | Enterprise-Wide     | **Organizational Resilience**: The risk that WT is unable to prepare for, and respond to, the increase in scale and scope of projects (including, but not limited to, adequate resources, structure and processes), resulting in an inability to deliver on key strategic objectives. **HIGH**  | To assess the 2018/2019 HR Capacity Plan by reviewing the management control framework in place for developing and implementing integrated human resources plans that aim to help successfully deliver on WT’s strategic objectives. Particular areas of focus for the assessment of the plan will be:  
• Strategic Direction;  
• Risk Management Objectives;  
• Planning Methodology;  
• Resource Allocation;  
• Integration and Monitoring.  | We understand that WT is working to address the organization’s resilience, HR Capacity Plan, and the recruitment and retention of employees. Since WT is in the process of taking immediate action on this matter, this audit has not been included within the audit plan. |
| ERP System Implementation        | Enterprise-Wide     | **Recruitment & Retention of Employees**: The risk that WT is unable to recruit and/or retain key staff, resulting in an inability to deliver on key strategic objectives. **HIGH**  | To assess the effectiveness of key controls and related system implementation and data migration activities. This includes assessing and evaluating the following:  
• A system implementation methodology was followed when implementing the ERP;  
• Tests and reconciliations were performed to provide reasonable assurance that (a) legacy data was completely and accurately converted; and (b) legacy data was completely and accurately uploaded into the new system; and,  
• Security controls are implemented on the new system, including passwords, user access administration, privileged accounts, segregation of duties, and at the outsourced service provider.  | The City of Toronto and WT’s External Auditor are likely to conduct a similar engagement to this ERP system implementation audit, thus this audit is not included on the audit plan to not duplicate work. |
| ERP System Internal Controls     | I&T, Finance & Administration | **Management of Systems, Processes & Information**: The risk that WT is unable to produce accurate and timely financial reports, resulting in impacts to decision-making, accountability and transparency. **HIGH**  | To assess selected business processes and controls within the ERP system (within selected in-scope areas of CRM, HRIS, accounting/finance). Particular focus placed on:  
• Design and operating effectiveness of controls;  
• Efficiency and effectiveness of process workflow against best practices;  
• Key system reports are reliable (i.e. complete and accurate);  
• Key application functions and reporting perform as expected and meet defined business process.  | WT’s External Auditor may conduct a similar review or selected procedures of ERP system processes and controls, thus this audit is not included on the audit plan.  
The PMIS function in the ERP system and the related processes followed by the PMO has been proposed by MNP in the above plan, ensuring that this high risk area is included in the audit plan. |
Appendix C – Confidential Attachment
Risk Register Summary