



REPORT TO THE EDMONTON POLICE COMMISSION

DATE: March 15, 2019

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SUBJECT: Policy Revisions

RECOMMENDATION(S):

That the Finance & Audit Committee approve revisions to the following EPC policies:

- 1) 1.1.5 Risk Management & Audit
- 2) 1.1.6 Financial Stewardship

That the Finance & Audit Committee approve replacing Appendix E – Risk Management & Audit with the approved Audit Charter.

COMMENT / DISCUSSION:

All policies were reviewed as part of the regular policy review schedule and input was garnished from CIA Botticelli to ensure all risk management and audit functions were outlined correctly.

(Attach)

(CURRENT)

1.1.5 RISK MANAGEMENT AND AUDIT

It is the responsibility of the Edmonton Police Commission to ensure that all significant risks facing the Edmonton Police Service are effectively managed. Risk refers to those conditions, events and developments that may affect the Service's ability to achieve its goals. In conjunction with the Chief of Police, the Commission will regularly assess strategic risks, prioritize them and incorporate necessary mitigation strategies into its long-term planning, its overall assessment of the evaluation of the Chief, and its overall interaction with the community and the Council in terms of funding.

Procedures:

In order to successfully integrate risk management into policies, strategic planning and oversight of the performance of the Edmonton Police Service, the Commission will:

1. Adopt a standard diagnostic tool for identifying and assessing strategic risks.
2. Engage in an annual review of risk management using this tool, based on a scan of community issues that can involve:
 - a) advice from the Chief;
 - b) input from municipal and regional officials;
 - c) public input through open meetings or focus groups; and,
 - d) Commission meetings.
3. Annually prepare a general statement on strategic risks facing the Service and how they are to be addressed in planning, resourcing, auditing, performance tracking and policy. This statement will be incorporated into the Strategic Plan of the Service.
4. Annually review the Service's risk profile and ensure that mitigation strategies are in place. The Service will provide the Commission with regular performance reports of the identified risk mitigation strategies. These reports should verify that the assessments remain at the level identified, raising and lowering the residual risks as deemed necessary.
5. Require the Chief to provide an audit plan that assesses those risks within the organization whose priority merits an audit review.
6. Review any policies for which significant risks have been identified.

7. Review the processes in place to communicate a consistent message on risk management and associated expectations across the Service.
8. Review, subsequent to the approval of strategic plans for the Police Service, those performance measures and indicators that will monitor high risk areas.
9. Ensure that the performance evaluations objectives of the Chief address high risk areas identified in the exercise that are part of the Chief's responsibility.
10. Require the Chief to provide briefings on events and trends that impact strategic plans, priority business risks, or the continued validity of underlying assumptions. The briefings should include the results of sensitivity analysis that show the range of probable financial and other outcomes. This will allow the Commission to exercise oversight over the adjustment of plans to take advantage of new or changed opportunities and risks.

Definition – Risk management is the process used to identify, assess, manage and control potential events or situations and to provide reasonable assurance regarding the achievement of the organization's objectives. Risk in this policy refers to all those social, economic, organizational and human elements both within the Service and the community it serves that would affect the achievement of the Service's approved mission, goals, objectives and activities.

References:

1. Appendix E – *Risk Management and Audit*.

Effective: Nov. 30, 2007	Revised: September 17, 2015
Repealed:	

(REVISION #5)

1.1.5 RISK MANGEMENT AND AUDIT

It is the responsibility of the Edmonton Police Commission (the “Commission”) to ensure that the Edmonton Police Service (the “Service”) are effectively managing all significant risks the organization faces.

The Commission also provides the oversight function for all audit functions and overall risk management for the Service to ensure that its assets and reputation are protected and safeguarded within reasonable business limits.

Definitions:

Risk: is the effect of uncertainty on objectives and is a positive or negative deviation from what is expected. In this policy risk refers to all those social, economic, organizational and human elements both within the Service and the community it serves that would affect the achievement of the Service’s approved mission, goals, objectives and activities.

Risk Management: refers to a coordinated set of activities and methods used to direct and control the risks that can affect an organization’s ability to achieve its objectives and to provide reasonable assurance regarding the achievement of the organization’s objectives.

Risk Management Framework: is a set of components that support and sustain risk management throughout an organization.

Risk Management Process: is the process of systematically applying risk management policies, procedures, and practices to a set of activities intended to establish the context, communicate and consult with stakeholders, and identify, analyze, evaluate, treat, monitor, record, report, and review risk.

Risk Profile: is a representation at a given point in time of an organization’s overall exposure to some specific risk or group of risks.

Guidelines:

1. The Commission will be the primary oversight for all external and internal auditors.

2. The Commission will integrate risk management into policies, strategic planning and oversight of the Service.
3. The Commission will participate in the annual review of risks based on a scan of community issues and includes advice from the Chief.
4. The Commission will ensure that the Service has established an enterprise risk management (ERM) process in which risk identification, awareness, tolerance and mitigation is determined, monitored and reported.
5. The Commission will review and assess the Service's Integrated Risk Management Framework and processes.
6. The Commission will approve the Service's Corporate Risk Profile (CPR) including the risk appetite and risk tolerance levels for significant risks identified, ensure mitigation strategies are in place, and review annually.
7. The Commission will ensure that the risks identified in the Service's CPR and other risk assessments are considered within the Commission's annual audit plan.
8. The Commission will approve and provide ongoing monitoring of the Commission's Chief Internal Auditor's annual audit plan, strategic plan and ensure appropriate resourcing is available.
9. The Service will provide the Commission with regular performance reports of the identified risk mitigation strategies and will include where their assessments have remained at the level identified, or if a raising or lowering of the residual risks have been deemed necessary.
10. The Commission requires that the Chief Internal Auditor shall provide a risk based audit plan that assesses risks within the organization whose priority merits an audit review.
11. The Commission requires that the Chief of Police and the Chief Internal Auditor will provide the results of all audits, operational reviews, and compliance reviews. The Chief of Police and Chief Internal Auditor will highlight any issues that will assist in determining whether the Service and/or Commission is in compliance with related statutory requirements, and issues that have potential risk or liability to the Service and/or Commission.
12. The Commission will provide ongoing monitoring of the actions taken by the Service in addressing unacceptable levels of risk and/or identified weaknesses in internal controls.

13. The Commission will ensure that the Service has implemented appropriate systems of internal controls for financial reporting, compliance with all relevant laws and regulations and financial, operational and corporate risk exposure.
14. The Commission will review any policies for which significant risks have been identified.
15. The Commission will regularly review the processes in place to communicate a consistent message on risk management and associated expectations across the Service.
16. The Commission will review the Service's strategic plans to ensure there are performance measures and key performance indicators (KPI's) in place to monitor high risk areas.
17. The Commission will ensure that all performance evaluations of the Chief address high risk areas that have been identified.
18. The Commission will approve the Internal Audit Charter (Appendix E).
19. The Commission will review at a minimum every 5 years the Internal Audit Quality Assurance and Improvement Program to ensure conformance with the Institute of Internal Auditor's International Standards for the professional practice of internal auditing.
20. During external audits of the Commission all members and staff will respond to record requests and/or inquiries in a timely manner and will work to ensure that the audit's purpose, objectives and scope are met.
21. In addition to all internal audits and related work plans prepared by the Commission and/or the Service, the Commission may request external audits to be conducted on matters of concern to the Commission.

References:

1. *Appendix E – EPC Audit Charter*
2. *5.2.3 Finance and Audit Committee Terms of Reference*

(CURRENT)

Effective: November 30th, 2007

Revised: April 19, 2012

Repealed:

September 17, 2015

1.1.6 FINANCIAL STEWARDSHIP

The Edmonton Police Commission will approve and monitor the budget of the Edmonton Police Service in order to fulfill the short and long term goals outlined in the Strategic Plan, Three Year Corporate Business Plan, and the Annual Policing Plan.

The Commission and the Service will jointly develop the operating and capital budgets of the Service prior to presentation to City Council, in accordance with the *Police Act*.

The *Police Act* gives the Commission authority to monitor the Edmonton Police Service's finances.

References:

1. *Police Act*, RSA 2000, c P-17.

(REVISED #2)

Effective: Nov. 30, 2007 Repealed:	Revised: April 19, 2012 September 17, 2015
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1.1.6 FINANCIAL STEWARDSHIP

Under the Police Act, the Edmonton City Council (“Council”) is responsible for establishing the total budget for the purposes of policing, and the Edmonton Police Commission (the “Commission”) is responsible for allocating the funds provided for under the budget.

Guidelines:

1. The Commission will ensure that Council has access to any information Council deems necessary to assess the efficiency and financial requirements of the Edmonton Police Service (the “Service”).
2. The Commission, in consultation with the Chief, will develop the operating and capital budgets that will be presented to Council.
3. The Service will submit financial reports to the Commission which assist in fulfilling its financial oversight responsibilities.
4. The Commission shall establish a Finance and Audit Committee (the “Committee”) which will assist the Commission in fulfilling its obligations and oversight responsibilities. The Committee will review financial reporting and policies, oversee the annual operating budget, and oversee the risk management and audit function for the Commission. The Committee will also review relevant legislative and regulatory changes affecting financial resources and any other significant issues which may impact Commission and Service budgets. The Committee will make recommendations to the Commission for approval when required.

References:

1. *Police Act, RSA 2000, c P-17*
2. *EPC Policy 5.2.3 – Finance & Audit Committee Terms of Reference*

(CURRENT)

**APPENDIX E – RISK MANAGEMENT AND
AUDIT**

RISK MANAGEMENT AND AUDIT

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

Periodic Risk Identification and Assessment

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

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

Incorporation of Risk into Strategic Planning

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

Incorporation of Risk into Day-to-Day Operations

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

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

Risk Coordination, Monitoring, Reporting, and Learning

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

Incorporation of Risk Priorities into the Evaluation of the Chief

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

Incorporation in the Audit Plan for the Service

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

Measuring the Edmonton Police Commission's Risk Management Performance

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

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

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



Approved Audit Charter

February 16, 2017

Audit Charter – Edmonton Police Commission

Definition of Internal Audit

The Audit Function of the Edmonton Police Commission (EPC) provides independent, objective assurance and consulting services designed to add value and improve operations. Internal Audit assists organizations with the effective discharge of their responsibilities by examining and evaluating effectiveness of risk management, control, and governance processes. The Audit Function will assist in bringing transparency to Edmonton Police Service (EPS) operations and management and will bring a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes. This document sets out the mandate, authority, and responsibility of the Edmonton Police Commission Audit Function.

Management is ultimately responsible for implementing adequate and effective risk management, quality management, control, and governance processes that provide reasonable assurance of:

- a. Achievement of the organization's strategic objectives;
- b. Reliability and integrity of financial and operational information;
- c. Compliance with policies, procedures, standards, laws, regulations, and contracts;
- d. Safeguarding of assets; and
- e. Effective and efficient stewardship of resources, operations, and programs.

Scope of Work

The scope of work of the Audit function includes the entire EPS organization and all of its operations, and is to determine whether EPS's risk management, control, and governance processes, as designed and represented by management, are adequate and functioning in a manner to ensure:

1. Risks are appropriately identified and managed to achieve the EPS stated goals and objectives.
2. The appropriate level of internal control exists within EPS.
3. Approved policies are supported by control processes that further the achievement of EPS objectives.
4. Significant financial, management, and operational information is accurate, reliable, and timely.
5. Staff and management actions are in compliance with plans, policies, procedures, standards, contracts, laws, and regulations.
6. Resources are acquired economically, used efficiently, and adequately protected.
7. Programs, plans, and their objectives are achieved.
8. Quality and continuous improvement are encouraged in EPS's control processes.
9. Significant legislative or regulatory issues impacting EPS are recognized and addressed appropriately.
10. EPS's performance measurement and other accountability reporting processes are appropriate.
11. Interaction with various governance agencies/groups as necessary.

Accountability

The Audit Function shall be accountable to the EPC to:

1. Provide periodic assessments on the adequacy and effectiveness of EPS processes for controlling its activities and managing its risks in the area set forth under the scope of work.
2. Immediately report significant issues related to the risk management, quality management, control, and governance processes of the EPS, including potential improvements to those processes, and provide information concerning such issues through resolution.
3. Provide updates on the status and results of the annual audit work plan and the sufficiency of audit resources.

4. Assist with coordination of other control and monitoring functions (external audits and municipal/provincial/federal audits).

Independence

To provide for independence of the internal audit activity, it reports functionally to the EPC.

The Chief of Police will provide administrative support to the EPC Auditors, when they are working at the EPS location including appropriate workstations with access to required computer technology and day to day work supplies. In addition, the EPS will provide the EPC Auditors with support from IT, HR, & Finance. .

The Chief of Police will provide financial support to the EPC Auditors by paying all required expenses for all external audits required by EPC in accordance with any approved Audit Function work plan.

The EPC and EPS will work together to reallocate funding for the Audit Function from EPS to the EPC in accordance with any annual budget approved by the EPC.

Audit staff are not authorized to:

1. Perform operational duties or have direct responsibility for or authority over any activities or operations to be reviewed.
2. Initiate or approve accounting transactions external to the Audit Function.
3. Direct the activities of any EPS employee not part of the Audit Function, except to the extent such employees have been assigned to assist the branch.

Independence will not be jeopardized by permitting any audit staff or a contracted party to perform assurance work in areas that individual provided advisory services for.

Annually, all Audit staff will sign a code of ethics attestation and a confirmation of the absence of conflicts of interest in the conduct of audit work.

The internal audit activity will remain free from interference in determining the scope of internal auditing, performing work, and communicating results (includes but not limited to matters of audit selection, scope, procedures, frequency, timing, or report content).

Responsibility

The Audit Function has responsibility to:

1. Develop a long term audit plan using appropriate risk based methodology and to submit the plan to EPC for review and approval.
2. Implement the approved plan including special requests and consulting projects as requested and approved by the EPC.
3. Ensure significant changes to the plan are brought forward to the EPC for review and approval.
4. Develop, review, and maintain internal audit policies.
5. Foster an environment that supports strong internal controls and risk-informed decision making.
6. Maintain sufficient knowledge, skills, experience, and professional certifications to meet the requirements of this charter.
7. Manage contracted resources, as necessary, to assist in the delivery of the audit work plan.
8. Establish a quality assessment program in accordance with internal audit standards by which the internal audit activity can be evaluated.
9. Provide independent, objective services designed to evaluate and the improve risk management, control and governance processes..
10. Report significant findings and recommendations related to the EPS processes of risk management, control, and governance to EPS Management and EPC. (As per process outlined within Appendix A).

11. Track progress with respect to the implementation of audit recommendations and report progress to the EPC.
12. Disclose instances of any difficulties encountered in the course of the work, including any restrictions on the scope of work or access to required information.
13. Abide by the Code of Ethics and conduct audits in accordance with the International Standards for the Professional Practice of Internal Auditing of the Institute of Internal Auditors.
14. Establish and maintain appropriate and effective relationships with EPS management, staff, and the EPC.
15. Inform the EPC of emerging trends and successful practices of internal auditing.
16. Develop meaningful performance measures for the Audit Function and provide to the EPC.
17. Examine the scope of work the external auditors and other agencies perform, as appropriate, for the purpose of providing optimal audit coverage to EPS.
18. Exercise the “right to audit” clause on behalf of EPS in any or all contracts and/or agreements as approved by EPC.
19. Provide a report of all audit activity performed at EPS (e.g. Occupational Health and Safety -audits) to EPC on a periodic basis.

Authority

The Edmonton Police Commission Audit Function has the authority to conduct a broad and comprehensive program in internal control and operational reviews within all areas of EPS. Audit Function staff -are authorized to:

1. Have unrestricted access to all EPS functions, records (manual/hard copy and electronic), property, databases, applications, and personnel (subject to any applicable legislation).
2. Have direct and unrestricted access to the Edmonton Police Commission.
3. Have access to attend all EPS meetings related to risk management, control, and governance processes, including, at the Audit Function’s discretion, setting an audit exit meeting with the Chief and/or Chief’s Committee to discuss audit findings.

4. Allocate resources, set frequencies, select subjects, determine scope of work, and apply the professional techniques required to accomplish objectives.
5. Obtain the necessary assistance of all EPS personnel, as well as other specialized services from within or outside the organization, to assist the Audit function in fulfilling its roles and responsibilities.

Standards of Practice

The Audit Function will govern itself by adhering to the International Standards for the Professional Practice of Internal Auditing of the Institute of Internal Auditors and the Institute of Internal Auditors' Code of Ethics.

In addition, Audit staff are bound by the standards and ethics of their respective professional organizations, which include, Chartered Professional Accountants (CPA), the Association of Certified Fraud Examiners (ACFE), and the International Law Enforcement Auditors Association (ILEAA).

Chief of Police, EPS

Chair, EPC