



CITY OF HAMILTON
CITY MANAGER'S OFFICE
Audit Services Division

TO:	Chair and Members Audit, Finance and Administration Committee
COMMITTEE DATE:	May 16, 2019
SUBJECT/REPORT NO:	Audit Services Report 2018-01 Hamilton Fire Department Risk Assessment (AUD19008) (City Wide)
WARD(S) AFFECTED:	City Wide
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SUBMITTED BY:	Charles Brown CPA, CA, CPA (Illinois) Director, Audit Services City Manager's Office
SIGNATURE:	

RECOMMENDATION

That the General Manager of Healthy and Safe Communities be directed to instruct the appropriate staff to have the management responses implemented for the risks pertaining to:

- Workforce Planning and Staffing;
- Recruitment and Retention;
- Unsustainable Costs;
- Employee Skills and Aptitude; and
- Emerging Technology.

EXECUTIVE SUMMARY

In 2018 Audit Services facilitated a risk assessment with the Hamilton Fire Department. This risk assessment allowed the Fire Department to proactively identify, assess and form responses to risks that were considered and incorporated into the Fire Department's newly developed ten-year Fire Service Delivery Plan. A diagram of the risk assessment process is included in Appendix "A" to Report AUD19008.

OUR Vision: To be the best place to raise a child and age successfully.

OUR Mission: To provide high quality cost conscious public services that contribute to a healthy, safe and prosperous community, in a sustainable manner.

OUR Culture: Collective Ownership, Steadfast Integrity, Courageous Change, Sensational Service, Engaged Empowered Employees.

Participants in the risk assessment process identified 22 risks. A risk is an event that may impact or prevent the Fire Department from providing timely, quality service in a safe manner. A list containing the 22 risks identified is included in Appendix “B” to Report AUD19008.

The most significant risks related to staffing, recruitment, unsustainable costs, employee skills, emerging technology, legislative changes and critical infrastructure disruption.

Management accepted the risks related to legislative changes and critical infrastructure disruption as several controls and other actions are currently in place to prevent negative impacts and continue providing high quality services.

Management decided to take additional steps to further manage the risks related to staffing, recruitment, unsustainable costs, employee skills and emerging technology. Action plans have been developed and have been incorporated into the Fire Department’s newly developed ten-year Fire Service Delivery Plan where appropriate.

Alternatives for Consideration – Not Applicable

FINANCIAL – STAFFING – LEGAL IMPLICATIONS

Financial: The Fire Chief and Deputy Chief made an informed decision on which risks would be managed further and the related actions. The implementation of management’s action plans may result in financial impacts which may be incorporated into operations, the budget process or the Fire Service Delivery Plan as necessary. As a result, the overall financial impact of management’s action plans cannot be estimated at this time.

Staffing: The Fire Chief and Deputy Chief made an informed decision on which risks would be managed further and the related actions. The implementation of management’s action plans may result in staffing impacts which may be incorporated into operations, the budget process or the Fire Service Delivery Plan as necessary. As a result, the overall staffing impact of management’s action plans cannot be estimated at this time.

Legal: None.

HISTORICAL BACKGROUND

The Audit Services Division broadened its portfolio of services in 2016 to include risk assessments. A risk assessment identifies risks proactively, so they can be managed, mitigated or accepted. This process involves working collaboratively with a department or division and facilitating discussions to ensure risks are appropriately identified and addressed.

The 2016-2018 Audit Services work plan approved by Council included a combined value-for-money and compliance audit related to fire services. In lieu of this audit, the Fire Chief and Director of Audit Services agreed it would be a beneficial opportunity to take a more wholistic approach and carry out a risk assessment to ensure various types of risks are considered as part of the Fire Department's newly developed ten-year Fire Service Delivery Plan. The Fire Chief plans on presenting this Fire Service Delivery Plan to the Emergency and Community Services Committee on June 6, 2019.

The Audit, Finance and Administration Committee receives and approves risk assessment reports as part of its responsibilities for the oversight of governance and work performed by Audit Services.

POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS

None.

RELEVANT CONSULTATION

In order to carry out this risk assessment, interviews and workshops were carried out with representatives from the:

- Hamilton Fire Department of the Healthy and Safe Communities Department;
- Human Resources Division and Strategic Partnerships and Communications Division of the City Manager's Office;
- Hamilton Professional Fire Fighters Association Local 288; and
- Greater Hamilton Volunteer Firefighters Association, CLAC Local 911.

Responses for chosen risks, some of which are highlighted in the analysis section of this report, were provided by the Deputy Chief in the Hamilton Fire Department of the Healthy and Safe Communities Department.

ANALYSIS AND RATIONALE FOR RECOMMENDATION

Audit Services facilitated a risk assessment with the Hamilton Fire Department using the enterprise risk management (ERM) model. A risk is an event that may impact a business in meeting its objectives. ERM is a process to identify business risks and how these risks will be controlled further or eliminated to reduce the impact on business objectives. A diagram of the risk assessment process is included in Appendix “A” to Report AUD19008. Effective risk management requires that all risks that could negatively impact the achievement of a business’ objectives be recognized.

Through a series of interviews, participants from the Hamilton Fire Department, Human Resources, Communications and union representatives identified 22 risks. A list of these risks is included in Appendix “B” to Report AUD19008.

Through one large workshop and several one-on-one workshops, participants assessed the likelihood and impact of each risk and Audit Services mapped these scores onto a heat map to see how critical each risk was in relation to each other. The resulting heat map is included in Appendix “C” to Report AUD19008. Likelihood is an indication of how often the potential risk may occur or what may be the chances of it happening. Impact is an indication of how severe a potential loss or negative outcome may be for a risk event. The seven most significant risks related to staffing, recruitment, unsustainable costs, employee skills, emerging technology, legislative changes and critical infrastructure disruption.

Management was asked to provide a risk response for these seven risks which describes what management plans on doing about the risk. Management may choose to avoid, accept, manage or share/transfer the risk defined as follows:

- Avoid the risk – withdrawing from, or not performing, an activity that could contribute to the risk.
- Accept the risk – accepting the loss, or benefit of gain, from the risk when it occurs; no further action to be taken.
- Manage the risk – reducing the severity or likelihood of the loss by putting more controls in place or reducing/eliminating the source of the risk.
- Share/transfer the risk – sharing the burden of loss, or benefit of gain, from a particular risk with another party.

Management accepted the risks related to legislative changes and critical infrastructure disruption as several controls and other actions are currently in place to prevent negative impacts and continue providing high quality services.

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Management decided to take additional steps to further manage the risks related to staffing, recruitment, unsustainable costs, employee skills and emerging technology. Action plans have been developed and have been incorporated into the Fire Department's newly developed ten-year Fire Service Delivery Plan where appropriate. Among the action plans are:

- Addressing human resource challenges, optimization of resources, revenue generating activities and technology improvements as part of the Fire Service Delivery Plan;
- Establishing performance metrics for all aspects of service delivery;
- Implementing a new training model; and
- Updating the development charges by-law on a more periodic basis.

Audit Services provided the Fire Chief with a detailed report outlining the background, methodology, rationale and observations from each stage of the risk assessment process as well as a comprehensive summary for each of the 22 risks identified as part of this exercise. A copy of this Fire Risk Assessment – Detailed Report is included in Appendix “D” to Report AUD19008.

Audit Services would like to thank the Hamilton Fire Department and other participants for their positivity, openness, enthusiasm and contributions throughout this risk assessment exercise. The ongoing monitoring of risks and action plans, as well as integration into strategic planning and decision-making processes, will be the responsibility of Fire Department management.

ALTERNATIVES FOR CONSIDERATION

Not applicable.

ALIGNMENT TO THE 2016 – 2025 STRATEGIC PLAN

Healthy and Safe Communities

Hamilton is a safe and supportive City where people are active, healthy, and have a high quality of life.

Our People and Performance

Hamiltonians have a high level of trust and confidence in their City government.

APPENDICES AND SCHEDULES ATTACHED

Appendix “A” to Report AUD19008 – Risk Assessment Process

Appendix “B” to Report AUD19008 – List of Identified Risks

Appendix “C” to Report AUD19008 – Heat Map

Appendix “D” to Report AUD19008 – Fire Risk Assessment – Detailed Report