




Hamilton

CITY OF HAMILTON
CITY MANAGER'S OFFICE
Office of the City Auditor

TO:	Chair and Members Audit, Finance and Administration Committee
COMMITTEE DATE:	December 5, 2019
SUBJECT/REPORT NO:	Children's Services Risk Assessment Report (AUD19014) (City Wide)
WARD(S) AFFECTED:	City Wide
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SIGNATURE:	

RECOMMENDATION

That the General Manager of Healthy and Safe Communities be directed to instruct the appropriate staff to have the management responses implemented, which were developed for the potential risks identified in the Children's Services Risk Assessment.

EXECUTIVE SUMMARY

The Children's and Home Management Services Division provides leadership for the integration of human services and the early years system and provides comprehensive evidence-based support services to children, families, and the community. The Division serves children, families, individuals, community agencies and programs, Healthy and Safe Communities Staff, and other City Departments through the provisions of the services noted below.

1. Child Care System Management
2. Early Years System Management
3. Red Hill Child and Family Centre
4. Life Skills and Case Management
5. Employment Services – Learning, Earning and Parenting program

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.

The risk assessment for Children's and Home Management Services was included in the 2016-2018 Audit Work Plan and approved by the City of Hamilton Council in April 2016. Since the start of the project, the Division was re-organized and is now known as Children's Services and Neighbourhood Development Division.

Since this risk assessment was completed, the provincial government has informed the City of Hamilton of several funding and policy changes that will be implemented between 2020 and 2022, including new cost-sharing requirements, reduced allocations for child care and EarlyON Child and Family Centres, changes to the thresholds for allowance administrative funding, and the implementation of a new tax credit for families. This risk assessment reflects the data and risks identified at the time of completion in 2018.

A risk assessment is the identification of potential risks that could negatively impact an organization's ability to conduct business and achieve its objectives.

This was one of the first risk assessments initiated by the Office of City Auditor (OCA) to allow management to self-assess their risks and controls and develop action plans, where required. The scope of the risk assessment included Child Care System Management, Early Years System Management, and the Red Hill Child and Family Centre.

Through the risk assessment process, 16 potential risks were identified which impacted the Division's ability to achieve its objectives. Each risk had one or more risk factors contributing to the risk. Based on consensus and voting, the top 12 risks were identified. While action plans, timelines and accountabilities were developed for some risks, Management provided current mitigating controls for the others.

After the risk assessment was completed, the leadership team in the Children's Services and Neighbourhood Development Division requested the OCA to assist, via a consulting engagement, in the development of an audit guide and checklist for their staff to conduct audits of operators that receive grants from the City of Hamilton. Based on the results of this OCA consulting work (Report AUD19015), the likelihood and impact of risk factors within "Financial Controllershship" were adjusted to be higher on the heat map by the OCA, and the issuance of this risk assessment report was deferred until the consulting work was fully completed in 2019 so that the two reports could be issued simultaneously.

Alternatives for Consideration – Not Applicable

FINANCIAL – STAFFING – LEGAL IMPLICATIONS

Financial: None.

Staffing: None.

Legal: None.

HISTORICAL BACKGROUND

The City of Hamilton is legislatively responsible for service system management of child care and early years. This includes planning and funding licensed child care programs, administering financial assistance for eligible families through fee subsidies, and allocating additional resources to families and child care programs who provide care to children with special needs. It also includes the development and implementation of a 5-year community plan and the development and ongoing management of EarlyON Child and Family Centres.

Over the last several years, the funding of the Children's and Home Management Services Division has increased significantly resulting in investment in expanded programs and services. In 2017, the total child care and early years budget for Hamilton was \$69 million. Provincial funding made up \$63 million (91%) of the budget with the City contributing \$6 million (9%). In 2018, the total child care and early years budget for Hamilton increased to \$73 million.

This report identified key risks that could significantly impact the success of Children's and Home Management Services Division. The OCA collaborated with the Children's and Home Management Services Division to assess, prioritize, and mitigate key risks to increase the programs ability to achieve its strategic outcomes and minimize risks to the City.

Note that the risk assessment process began prior to the merger of the former Children's Services & Home Management and Neighbourhood & Community Initiatives divisions. Therefore, for the purposes of this report, the focus is on the former Children's Services and Home Management Division programs and services.

POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS

Not Applicable.

RELEVANT CONSULTATION

To carry out this risk assessment, interviews and workshops were carried out with relevant representatives from Children's and Home Management Services Division.

ANALYSIS AND RATIONALE FOR RECOMMENDATION(S)

Risk Assessment Process

The OCA used the enterprise risk management (ERM) model to carry out this risk assessment. 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. Effective risk management requires that all risks that could negatively impact the achievement of a business' objectives be recognized. For the risk assessment process, refer to Appendix "A" to Report AUD19014.

A risk is an event that may impact a business from meeting its objectives, and risk factors are the internal and external factors contributing to those risks.

As part of the risk assessment process, the OCA conducted a series of structured interviews with Children's and Home Management Services' Division management to gather an initial set of 16 potential risks (see Appendix "B" to Report AUD19014). The process also included those risks which the OCA team perceived to be applicable given the operational context. This was followed by two risk assessment workshops where management reviewed and prioritized each of the 16 risks.

Management review and prioritization of risks was based on two criteria – likelihood and impact.

- 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.

Workshop participants were provided an opportunity to discuss the risks and identify additional factors and mitigations before voting on the likelihood and impact of each risk. Participants were asked to vote on the residual risk – the degree of likelihood and impact remaining after considering the controls and other mitigations currently in place to manage the risk.

The OCA collected each participant's votes anonymously to encourage individual responses without fear of undue influence by management and 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 AUD19014.

The workshop participants, by consensus, chose 12 risks, rank ordered the contributing risk factors and chose one of the following risk response options:

- Transfer the risk – sharing the burden of loss, or benefit of gain, from a risk with another party.
- Eliminate 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.

Sixteen potential risks were identified which impacted the Division's ability to achieve its objectives. Each risk had one or more risk factors contributing to the risk. Based on consensus and voting, the top 12 risks were identified. While action plans, timelines and accountabilities were developed for some risks, management provided current mitigating controls for the others. A description of these risks, along with management responses, is included in Appendix "D" to Report AUD19014.

Participants in the workshops identified high-level strategic risks associated with the Division, rather than risks associated with the day-to-day implementation of many of its different programs. As a result, the action plans agreed upon to manage these risks are focused on the longer terms.

The primary risks were around change management, the changing political climate, use of technology, and availability of child care, and financial controllership. While the contributing factors for some of these risks are primarily external, there are certainly mitigation plans that the Division can undertake to prepare in the event the risk was to occur.

Some of the action plans management agreed upon were:

- Change Management: Review job descriptions to ensure change management skills are included in the hiring process. Continue to emphasize the importance of communication with all stakeholders.

- Change in Political Environment/Government: Staff will work to educate all levels of government and work to reduce impact, as needed.
- Availability of Child Care: Communicate changes to the public and engage with operators to ensure services are responsive to community needs.
- Financial Controllershship: A new mid-year reconciliation template has been created to incorporate the Wage Improvement application process. Manager to review reconciliations when the annual service contract review is approved.
- Human Resources: Review roles and responsibilities of management staff to align with business need. Assess training and hiring needs on an ongoing basis.

Children's Services Management involved in this risk assessment process were open, forthcoming, and participated well in the process. Besides being forthcoming in interviews and other discussions, they agreed to the risks identified and compiled by the OCA from the interviews. The ongoing monitoring of risk responses and action plans is the responsibility of the Division. It is intended that the risk assessment results will be an integral part of annual strategic planning, priority setting and decision making.

The OCA provided Children's Services 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 16 potential risks identified as part of this exercise. A copy of this Children's Services Risk Assessment – Detailed Report is included in Appendix "D" to Report AUD19014.

Additional Considerations

Discussion was also held over the functioning of the Red Hill Family Centre which is the City of Hamilton's only municipally-operated licensed child care centre. Unlike other service providers, the City is responsible for its day-to-day operations, child welfare and facility management. The goal is to ensure high quality, sustainable, accessible, and increasingly integrated child care and early learning experiences for all children and their families. Since the facility provides supports to the most vulnerable children, workshop participants expressed the importance of this facility to the City. Given that there are costs associated with the City operating this facility, management could consider performing a formal cost/benefit analysis of this City-operated facility to assess the sustainability of operating this facility compared to other operating models.

ALTERNATIVES FOR CONSIDERATION

Not Applicable.

ALIGNMENT TO THE 2016 – 2025 STRATEGIC PLAN

Community Engagement and Participation

Hamilton has an open, transparent and accessible approach to City government that engages with and empowers all citizens to be involved in their community.

Economic Prosperity and Growth

Hamilton has a prosperous and diverse local economy where people have opportunities to grow and develop.

Healthy and Safe Communities

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

Clean and Green

Hamilton is environmentally sustainable with a healthy balance of natural and urban spaces.

Built Environment and Infrastructure

Hamilton is supported by state of the art infrastructure, transportation options, buildings and public spaces that create a dynamic City.

Culture and Diversity

Hamilton is a thriving, vibrant place for arts, culture, and heritage where diversity and inclusivity are embraced and celebrated.

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 AUD19014 – Risk Assessment Methodology

Appendix "B" to Report AUD19014 – List of Identified Risks

Appendix "C" to Report AUD19014 – Children's Services Risk Assessment Heat Map

Appendix "D" to Report AUD19014 – Children's Services Risk Assessment Detailed Report