

# Audit of Vancouver Police Department's Enterprise Risk Management

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- Request from the Vancouver Police Board (Board) for OAG performance audit
- Full cooperation from Vancouver Police Department (VPD)
- Audit of VPD Performance Monitoring
- 2 components:
  - Performance measurement
  - Enterprise Risk Management (ERM)
- Results to be issued in two separate audit reports

- Risk is the effect of uncertainty on objectives; may be potential negative threats or positive opportunities
- ERM refers to the documented and coordinated, ongoing application of management processes for risks that could affect the ability to achieve an organization's mission
- ERM includes operational risk as a category, but is different than the management of operational day-to-day risks carried out to keep officers and the public safe

- Responsibility for ERM is shared by the Board as overseer of the VPD, and the Department itself
- As the oversight body for the VPD, a key responsibility of the Board is to ensure key risks are identified, monitored and mitigated, and that an effective approach is in place to manage these risks to the Department

- OAG engaged with subject matter experts in law enforcement, law, academia and ERM specific to policing, as well as audit technical and quality reviewers
- Looked at ERM practices in six police agencies across Canada known to have ERM programs in place

## **Audit Objective**

To determine if the Vancouver Police Board and the Vancouver Police Department effectively oversee and manage enterprise risks

## **Audit Period**

January 1, 2022 to July 31, 2023

## **In Scope**

- Board oversight responsibilities
- VPD policies and procedures
- Risk management tools, processes, policies and direction

## Not In Scope

- Risks related to specific initiatives or services provided by the VPD
- Day-to-day risk management that individual officers engage in
- The City of Vancouver's (the City's) ERM Framework and the City's performance reporting
- Governance matters that are not related to risk management
- The quality of the VPD's strategic plan, and the steps taken to develop the plan, other than those tied to our audit findings



We concluded that the Vancouver Police Board and the Vancouver Police Department did not have an effective enterprise risk management (ERM) framework in place to oversee and manage organizational risks

We also found gaps in the Board's approach to overseeing enterprise risks that limited its ability to stay appropriately informed about major risks and the processes the VPD used to identify, monitor, manage and report on those risks

- Nine recommendations to enhance the Board and the VPD's approach to ERM
- Both the Board and the VPD have accepted and provided action plans on all recommendations

## Governance and Oversight

- The Board defined its risk oversight responsibilities in its Governance Manual
- However, the manual had several gaps and limitations and the Board had not implemented some of its elements

The Vancouver Police Board should clarify and expand sections of its Board Governance Manual relating to oversight of enterprise risk management such as:

- A statement that identifies the Board as the overseer of enterprise risk management for the Vancouver Police Department and describes what this entails;
- A definition of risks including key risk categories the Board oversees such as: hazards, material, strategic, financial, reputational, governance, operational and other;

- The roles of the Board and Chief Constable in defining and communicating the levels and types of risks the organization is willing to accept;
- The Board's expectations for when and how the Department should seek Board guidance or approval on managing enterprise risks; and,
- The Board's Standing Committee responsibilities for the oversight of financial and non-financial risk management.

## Recommendation 2 – The Board

The Vancouver Police Board should require that the Chief Constable establish, maintain and obtain Board feedback on and approval of an enterprise risk management framework, including a policy and risk register.

## Governance and Oversight

- The VPD provided some risk management information to the Board
- The information provided was not systematic or robust enough for effective ERM
- Gaps included:
  - Risk rating and prioritization
  - Clear relationships between identified risks and risk treatments
  - Risk controls and residual risks
  - Ongoing monitoring of changes in the risk landscape

## Governance and Oversight

- A Risk Management Overview document was included in the Spring 2022 annual Board-VPD planning session materials
- The document included risk categories consistent with good practice on ERM in the policing sector
- However, risk assessment information was limited, and several mitigation strategies included in the overview were not in place or were not recent
- The VPD had no documentation on how the document was developed or updated



# Recommendation 3 – The Board

The Vancouver Police Board should introduce consistent mechanisms to implement the Board's risk management direction, such as:

- A process for the Board's involvement in the development of an enterprise risk management policy and processes, and the development and management of departmental risk registers;
- A schedule to review and approve the Vancouver Police Department's enterprise risk register at least annually; and,
- Processes through which the Board can obtain reasonable assurance that the Department's risk management, internal control systems, and information systems are properly designed, reliable and operating effectively to prevent and mitigate risks, including elements such as:
  - Reporting, testing and third-party validations; and,
  - Regular reporting from management or direct oversight of the Department's internal audit function.

## Governance and Oversight

- The Board indicated that more expertise in ERM would be an asset
- The Board Governance Manual included the establishment of an annual Board development program, with a focus on key skills, knowledge or issues in policing and police oversight, such as risk management

# Recommendation 4 – The Board

The Vancouver Police Board should include enterprise risk management as a knowledge area in the curriculum of its annual board development program.

## The VPD's Approach to ERM

- The Department had a range of management and operational processes, roles and expertise that could be the building blocks for effective enterprise-wide risk management
- The Department described its approach to risk management as decentralized

## The VPD's Approach to ERM

- The VPD did not have an ERM program, documented framework, or policy direction to guide its management of enterprise risks
- ERM was not included in VPD's Regulations and Procedures Manual or stand-alone policies

## The Vancouver Police Department should:

- Develop an enterprise risk management framework. This framework should include, at a minimum:
  - Clearly documented procedures to identify, assess, manage, and oversee its enterprise risks;
  - Communication procedures to enable consistent understanding of enterprise risk by all relevant stakeholders; and,
- Develop an enterprise risk management policy that includes:
  - A requirement for management to apply enterprise risk management principles in managing department-wide risks;
  - Policy aims such as how risk management will assist the Department; and,
  - Specific responsibilities and accountabilities related to managing enterprise risks for units and individuals throughout the Department.

## The VPD's Approach to ERM

- The VPD did not have a dedicated function or business area with assigned responsibilities for risk management
- The VPD had some internal ERM expertise

**Recommendation 6:** The Vancouver Police Department should assign responsibility for managing and overseeing enterprise risk management to a position or unit within the Department.

**Recommendation 7:** The Vancouver Police Department should support the successful implementation of enterprise risk management by:

- Ensuring it has sufficient resources, expertise and capacity to effectively develop, and implement enterprise risk management; and,
- Exploring training opportunities for senior leaders and other relevant Department personnel to ensure there is a consistent vision for what enterprise risk management can bring and commitment to its implementation throughout the Department.



## The VPD's Approach to ERM

- The VPD had processes in place intended to manage threats that affect its ability to keep the public safe
- These processes were used to discuss and plan responses to actual situations or incidents that had occurred or that could occur in the near term

## The VPD's Risk Management Tools and Processes

- The VPD did not use defined ERM principles or tools to manage its risks
- There was no documentation or record from the audit period to indicate how risk analysis and evaluation was carried out
- However, one unit was in the initial stages of developing a risk management dashboard and initial documentation indicates that the first steps in the process were robust

The Vancouver Police Department should develop a risk register that includes:

- Risks identified by internal and external stakeholders during its strategic planning sessions and facilitated unit-level risk assessment sessions;
- Risks identified at Vancouver Police Board planning sessions and risk assessments conducted at these sessions;
- Assignment of identified risks into categories to ensure that risks affecting similar functions, units and areas are clearly flagged to highlight areas of focus;
- Units and individuals that are accountable for and contribute to the management of individual risk items;
- Documentation on the effectiveness of risk treatments; and,
- Risk thresholds, as developed with the Board.

## The VPD's Risk Management Tools and Processes

- The VPD informed us that consideration of risks was implicit throughout the development of the VPD's strategic plan, annual business plans, and resource allocation decisions, building from year to year
- However, the VPD did not utilize formal and documented enterprise risk assessments to inform the goals and strategies included in its strategic plan and its decisions on resource allocation activities

# Recommendation 9 – The VPD

The Vancouver Police Department should use enterprise risk management assessments to help set objectives, make strategic decisions and allocate resources.

- December 14, 2023  
Report presented to Vancouver Police Board
- The Board approved motions endorsing the report's nine recommendations and that they be included in the OAG's semi-annual follow-up process

# Questions

- THAT the Auditor General Committee receive the Auditor General's report "Vancouver Police Department's Enterprise Risk Management" dated December 2023
- FURTHER THAT the report's nine recommendations be endorsed