



AGENDA

AUDIT COMMITTEE

January 28, 2021, 9:30 AM
IN THE COUNCIL CHAMBER

Members

Councillor E. Woolley, Chair
Councillor J. Farkas, Vice-Chair
Councillor D. Colley-Urquhart
Councillor J. Davison
Citizen Representative L. Caltagirone
Citizen Representative K. Kim
Citizen Representative M. Lambert
Mayor N. Nenshi, Ex-Officio

SPECIAL NOTES:

*Public are encouraged to follow Council and Committee meetings using the live stream
www.calgary.ca/watchlive
Members may be participating remotely.*

1. CALL TO ORDER
2. OPENING REMARKS
3. CONFIRMATION OF AGENDA
4. CONFIRMATION OF MINUTES
 - 4.1. Minutes of the Regular Meeting of the Audit Committee, 2020 November 19
5. CONSENT AGENDA
 - 5.1. DEFERRALS AND PROCEDURAL REQUESTS
None
 - 5.2. BRIEFINGS
None

6. POSTPONED REPORTS
(including related/supplemental reports)

None

7. ITEMS FROM OFFICERS, ADMINISTRATION AND COMMITTEES

7.1. Annual Principal Corporate Risk Report - AC2021-0037

7.2. External Auditor 2019 Management Letter Update - AC2021-0043

7.3. Shareholder Alignment Review of Wholly-Owned Subsidiaries Update - AC2021-0042
Attachment 2 held confidential pursuant to Section 24 (Advice from officials) of the *Freedom of Information and Protection of Privacy Act*.

Review By: 2021 March 1

7.4. City Auditor's Office 4th Quarter 2020 Report - AC2021-0132

7.5. Control Environment Assessment Report Redesign Update (Verbal) - AC2021-0139

7.6. Off-Site Levies Update (Verbal) - AC2021-0151

8. ITEMS DIRECTLY TO COMMITTEE

8.1. REFERRED REPORTS
None

8.2. NOTICE(S) OF MOTION
None

9. URGENT BUSINESS

10. CONFIDENTIAL ITEMS

10.1. ITEMS FROM OFFICERS, ADMINISTRATION AND COMMITTEES

10.1.1. External Auditor - Provision of Additional Services for 2020 External Audit, AC2021-0144
Report, Attachment and Recommendations held confidential pursuant to Sections 24 (Advice from officials) and 26 (Testing procedures, tests and audits) of the *Freedom of Information and Protection of Privacy Act*

Review By: 2021 April 20

10.1.2. Audit Forum (Verbal) - AC2021-0159
Held confidential pursuant to Section 24 (Advice from officials) and 25 (Disclosure harmful to economic and other interests of a public body) of the *Freedom of Information and Protection of Privacy Act*.

- 10.1.3. External Auditor (Verbal) - AC2021-0160
Held confidential pursuant to Section 24 (Advice from officials) of the *Freedom of Information and Protection of Privacy Act*.
- 10.1.4. City Auditor (Verbal) - AC2021-0161
Held confidential pursuant to Section 24 (Advice from officials) of the *Freedom of Information and Protection of Privacy Act*.

10.2. URGENT BUSINESS

11. ADJOURNMENT



**MINUTES
AUDIT COMMITTEE**

**November 19, 2020, 9:30 AM
IN THE COUNCIL CHAMBER**

PRESENT: Councillor E. Woolley, Chair
Councillor J. Farkas, Vice-Chair
Councillor D. Colley-Urquhart (Remote Participation)
Councillor J. Davison (Remote Participation)
Citizen Representative L. Caltagirone (Remote Participation)
Citizen Representative M. Lambert (Remote Participation)

ABSENT: Citizen Representative K. Kim (Personal)

ALSO PRESENT: Chief Financial Officer C. Male
A/City Auditor L. Ormsby
External Auditor H. Gill (Remote Participation)
External Auditor T. Nakka (Remote Participation)
Executive Assistant C. Smillie
Legislative Coordinator M. A. Cario
Legislative Advisor A. de Grood

1. CALL TO ORDER

Councillor Woolley called the Meeting to order at 9:31 a.m.

ROLL CALL:

Councillor Woolley, Councillor Farkas, Councillor Colley-Urquhart, Councillor Davison, Citizen Representative Caltagirone, Citizen Representative Lambert.

Absent from Roll Call: Citizen Representative Kim.

2. OPENING REMARKS

Councillor Woolley provided opening remarks and welcomed the new and returning members to the Audit Committee.

3. CONFIRMATION OF AGENDA

Moved by Councillor Farkas

That the Agenda for the 2020 November 19 Regular Meeting of the Audit Committee be confirmed.

MOTION CARRIED

4. CONFIRMATION OF MINUTES

4.1 Minutes of the Regular Meeting of the Audit Committee, 2020 October 22

Moved by Councillor Farkas

That the Minutes of the 2020 October 22 Regular Meeting of the Audit Committee be confirmed.

MOTION CARRIED

5. CONSENT AGENDA

5.1 DEFERRALS AND PROCEDURAL REQUESTS

None

5.2 BRIEFINGS

None

6. POSTPONED REPORTS

None

7. ITEMS FROM OFFICERS, ADMINISTRATION AND COMMITTEES

7.1 Audit Committee 2021 Work Plan, AC2020-1306

Moved by Citizen Representative Lambert

That with respect to Report AC2020-1306, the following be approved:

That the Audit Committee:

1. Approve the Audit Committee's 2021 Work Plan (Attachment); and
2. Recommend that Council receive this Report and Attachment for the Corporate Record.

For: (6): Councillor Woolley, Councillor Farkas, Councillor Colley-Urquhart, Councillor Davison, Citizen Representative Caltagirone, and Citizen Representative Lambert

MOTION CARRIED

7.2 Corporate Credit Card Continuous Auditing, AC2020-1283

Moved by Citizen Representative Caltagirone

That with respect to Report AC2020-1283, the following be approved:

That the Audit Committee:

1. Receive this report for the Corporate Record; and
2. Recommend that Council receive this report for the Corporate Record.

For: (6): Councillor Woolley, Councillor Farkas, Councillor Colley-Urquhart, Councillor Davison, Citizen Representative Caltagirone, and Citizen Representative Lambert

MOTION CARRIED

8. ITEMS DIRECTLY TO COMMITTEE

8.1 REFERRED REPORTS

None

8.2 NOTICE(S) OF MOTION

None

9. URGENT BUSINESS

None

10. CONFIDENTIAL ITEMS

Moved by Councillor Farkas

That pursuant to Sections 16 (Disclosure harmful to business interests of a third party), 24 (Advice from officials), 25 (Disclosure harmful to economic and other interests of a public body) of the *Freedom of Information and Protection of Privacy Act*, Committee now move into Closed Meeting at 9:57 a.m. in the Council Boardroom, to discuss confidential matters with respect to the following Items:

- Off-Site Levies Update (Verbal), AC2020-1328
- Shareholder Alignment Review on Wholly-owned Subsidiaries (Verbal), AC2020-1321
- External Auditor Provisions of Additional Services, AC2020-1324
- Audit Forum (Verbal), AC2020-1335
- External Auditor (Verbal), AC2020-1336
- City Auditor (Verbal), AC2020-1337

And further, that Trevor Nakka, Harman Gill, Erica Vervoort, and Ivana Cvitanusic, External Auditors (Deloitte LLP), be invited to attend the Closed Meeting.

MOTION CARRIED

Committee reconvened in Public Meeting at 11:09 a.m. with Councillor Woolley in the Chair.

ROLL CALL:

Councillor Woolley, Councillor Farkas, Councillor Davison, Citizen Representative Caltagirone, and Citizen Representative Lambert.

Absent from Roll Call: Citizen Representative Kim and Councillor Colley-Urquhart.

Moved by Councillor Farkas

That Committee rise and report.

MOTION CARRIED

10.1 ITEMS FROM OFFICERS, ADMINISTRATION AND COMMITTEES

10.1.1 Off-Site Levies Update (Verbal), AC2020-1328

People in attendance during the Closed Meeting discussions with respect to Report AC2020-1328:

Clerks: M.A. Cario and A. Degrood. Law: J. Floen. Advice: L. Ormsby, C. Male, L. Tocher, T. Rathie, and C. Smillie. External Advice: T. Nakka, I. Cvitanusic, and H. Gill (Deloitte).

Moved by Citizen Representative Lambert

That with respect to Verbal Report AC2020-1328, the following be approved:

That the Audit Committee direct that the Closed Meeting discussions remain confidential pursuant to Sections 16 (Disclosure harmful to business interests of a third party) and 24 (Advice from officials) of the *Freedom of Information and Protection of Privacy Act*.

For: (5): Councillor Woolley, Councillor Farkas, Councillor Davison, Citizen Representative Caltagirone, and Citizen Representative Lambert

MOTION CARRIED

10.1.2 Shareholder Alignment Review on Wholly-owned Subsidiaries (Verbal), AC2020-1321

People in attendance during the Closed Meeting discussions with respect to Report AC2020-1321:

Clerks: M.A. Cario and A. Degrood. Law: J. Floen. Advice: C. Male, C. Smillie, L. Ormsby, L. Kerr, L. Tocher, T. Rathie, and A. Brown. External Advice: T. Nakka, H. Gill, I. Cvitanusic (Deloitte).

Moved by Councillor Davison

That with respect to Verbal Report AC2020-1321, the following be approved:

That Audit Committee:

1. Appoint a Working Group of Audit (Working Group) to oversee a Shareholder Alignment Review of Wholly-Owned Subsidiaries (Shareholder Alignment Review) with composition as follows:

- Chair of Audit, Councillor Evan Woolley
- 1 Councillor Member of Audit, Councillor Jeff Davison
- 2 Citizen Members of Audit, Citizen Representative Lori Caltagirone and Citizen Representative Mike Lambert
- Acting City Auditor, Liz Ormsby
- Manager, Treasury, Aaron Brown
- Manager, The Office of Partnerships, Lori Kerr
- Executive Advisor to Audit Committee, Corrie Smillie
- Deputy City Solicitor, Law, Denise Jakal

2. Direct the Executive Advisor of Audit Committee to bring Terms of Reference for the Working Group to the 2021 January 28 Audit Committee for approval.

3. Direct that the framework for the Shareholder Alignment Review includes the following:

- a. Review of the mandate of each subsidiary for alignment with the goals and purpose of The City of Calgary;
- b. Review of the risk and opportunity profile presented by each subsidiary to The City of Calgary;
- c. Review of each subsidiary's operating, financing and investing stewardship processes in place to achieve their mandates, including processes and internal controls over business planning, budgeting, capital raising, debt limitations and covenants, and investing activities;
- d. Review the returns received by The City from the wholly-owned subsidiaries where applicable;
- e. Review the risk management programs of subsidiaries, including programs to manage financial, physical, environmental, safety and reputational risks;
- f. Review applicable shareholder governance documents, such as Unanimous Shareholder Agreements or other agreements, that may guide or affect the shareholder oversight of the subsidiary, and consider whether provisions for shareholder oversight are suitable to the goals, risk profile, and general requirements of the shareholder;
- g. Review the governance model of each subsidiary, and evaluate relative to leading practices used for similar or comparable subsidiary relationships;

- h. Review the communication, reporting, and accountability of wholly-owned subsidiaries to Council, Administration and the citizens of Calgary and;
- i. Identify any opportunities for improvement, and make recommendations, generally and individually, for the wholly-owned subsidiaries.

4. Direct the Working Group to oversee both the selection of an external consultant to perform the Shareholder Alignment Review as well as providing ongoing oversight of the consultant throughout the review;

5. Direct the Working Group to report to the 2021 January 28 Audit Committee meeting with the framework and a work plan for the Shareholder Alignment Review, considering advice, if any, that may be sought from Deloitte; and

6. Direct that the Closed Meeting discussions remain confidential pursuant to Section 16 (Disclosure harmful to economic interests of a third party) and 24 (Advice from officials) of the *Freedom of Information and Protection of Privacy Act*, to be reviewed by 2035 November 19.

For: (5): Councillor Woolley, Councillor Farkas, Councillor Davison, Citizen Representative Caltagirone, and Citizen Representative Lambert

MOTION CARRIED

10.1.3 External Auditor Provision of Additional Services, AC2020-1324

People in attendance during the Closed Meeting discussions with respect to Report AC2020-1324:

Clerks: M.A. Cario and A. Degrood. Law: J. Floen. Advice: L. Ormsby, C. Male, and C. Smillie. External Advice: T. Nakka, I. Cvitanusic, and H. Gill (Deloitte).

Moved by Citizen Representative Caltagirone

That with respect to Report AC2020-1324, the following be approved:

That the Audit Committee:

1. Direct that the Recommendations contained in Report AC2020-1324 be approved; and
2. Direct that this Report, Recommendations and Closed Meeting discussions remain confidential pursuant to Sections 16 (Disclosure harmful to business interests of a third party) and 24 (Advice from officials) of the *Freedom of Information and Protection of Privacy Act*; to be reviewed by 2021 May 19.

For: (5): Councillor Woolley, Councillor Farkas, Councillor Davison, Citizen Representative Caltagirone, and Citizen Representative Lambert

MOTION CARRIED

10.1.4 Audit Forum (Verbal), AC2020-1335

No report given.

10.1.5 External Auditor (Verbal), AC2020-1336

No report given.

10.1.6 City Auditor (Verbal), AC2020-1337

People in attendance during the Closed Meeting discussions with respect to Report AC2020-1337:

Clerks: M.A. Cario and A. Degrood. Law: J. Floen. Advice: L. Ormsby, C. Male, and C. Smillie.

Moved by Councillor Farkas

That with respect to Verbal Report AC2020-1337, the following be approved:

That the Audit Committee direct that the Closed Meeting discussions remain confidential pursuant to Section 24 (Advice from officials) of the *Freedom of Information and Protection of Privacy Act*.

For: (5): Councillor Woolley, Councillor Farkas, Councillor Davison, Citizen Representative Callagirone, and Citizen Representative Lambert

MOTION CARRIED

10.2 URGENT BUSINESS

None

11. ADJOURNMENT

Moved by Councillor Farkas

That this meeting adjourn at 11:19 a.m.

MOTION CARRIED

The following items have been forwarded to the 2020 December 14 Combined Meeting of Council:

CONSENT

- Audit Committee 2021 Work Plan, AC2020-1306
- Corporate Credit Card Continuous Auditing, AC2020-1283

The next regular meeting of the Audit Committee is scheduled to be held on 2021 January 28 at 9:30 a.m.

CONFIRMED BY COMMITTEE ON

CHAIR

ACTING CITY CLERK

UNCONFIRMED

**City Manager's Office Report to
Audit Committee
2021 January 28**

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Annual Principal Corporate Risk Report

RECOMMENDATION:

That the Audit Committee receive Report AC2021-0037 and the presentation for the Corporate Record and discussion, pursuant to Audit Committee Bylaw 33M2020, Section 5 (c).

HIGHLIGHTS

- Understanding, assessing and managing risk is critical to achieving Council's vision for Calgary – a great place to make a living, a great place to make a life.
- This year-end risk report provides information about the top risks facing The City at the end of 2020.
- The City is operating in a heightened risk environment due to two significant systemic risks (external risks that have a large impact on multiple sectors at the same time) materializing simultaneously in the form of an economic shock and the global pandemic.
- The year-end analysis points to the impacts of operating in this heightened risk environment on The City's Principal Corporate Risks (PCRs), which are the most strategic risks that could impact The City's ability to achieve its results and deliver services to citizens. Nine PCRs have changed risk ratings and the Social Impact Risk has become a priority risk due to increased pressure and stressors.
- The five highest priority PCRs at this time are: Economic, Financial, Health, Safety and Wellness, Reputation and Social Impact Risk.
- Risk response strategies are in place to respond to the PCRs.
- Risk management advancements at The City align with Council's Directive to embrace appropriate levels of risk and Administration's Rethink to Thrive Strategy, which includes being innovative, tech-savvy and future focused (C2020-0699).
- The Integrated Risk Management Program is focused on continuous improvement to support the organization in advancing risk awareness and integrating risk management into City culture. The benefits include embracing the positive and negative side of risks to inform decisions, proactively managing risks in the achievement of results, openly communicating about risks and intentionally taking risk to support innovations contributing to a well-run City.
- On 2020 December 14, Council received for the Corporate Record the Audit Committee 2021 Work Plan which was approved by the Audit Committee on 2020 November 19 (AC2020-1306). As part of the Work Plan, the Audit Committee has directed the City Manager to provide the Annual Principal Corporate Risk Report.
- Background and Previous Council Direction is included as Attachment 1.

DISCUSSION

The City's Risk Profile – 2020 Year-end

The City's risk profile consists of:

- the 17 Principal Corporate Risks (Attachment 2); and
- an update on the five priority risks, additional risk analysis, and a review of the critical uncertainties (Attachment 3).

The analysis from the year-end review points to the effects of operating in this heightened risk environment. Most notably, the analysis of the PCRs shows the increased strain on the Social

Annual Principal Corporate Risk Report

Impact and the Partnership Risks, as more Calgarians rely on The City to provide social programs and supports.

Changing social and economic conditions are contributing to social unrest, and, therefore, the Social Impact Risk has become a priority risk along with: Economic; Financial; Health, Safety, & Wellness; and Reputation Risk. The City continues to experience significant exposure in these priority risks supporting the need to continue managing and monitoring them closely. Although, the Infrastructure Management risk remains a top risk in terms of impact; it has come off the priority list as key controls are in place and there is clear direction on managing this risk.

Responding to risk in uncertain times has necessitated our organization to seek new approaches. During the first wave of the pandemic, critical uncertainties (a component of Strategic Foresight a scenario planning tool) were discussed to foster a new way of thinking. Our analysis at year-end shows that many of the critical uncertainties identified at mid-year proved relevant, experienced changes, and are worth monitoring. The use of strategic foresight encourages long-term thinking about risks facing our community now and into the future. This approach supports short, medium and long-term planning and ensures that our organization remains resilient and prepared for shocks and stressors.

Advancing Risk Management

The City of Calgary has a robust Integrated Risk Management (IRM) Program that is built upon four pillars: Governance and Oversight, Integration with Strategic Direction, Established Practices and Processes, and Review and Continuous Improvement. Attachment 4 focuses on one area of continuous improvement for 2021, risk awareness, as this was an area of previous interest and questions from the Audit Committee. Advancing risk awareness into City culture is a means of enhancing decision-making and contributes to a well-run City. Attachment 5 provides a snapshot of risk management advancements in place and highlights our focus for continuous improvement in 2021.

STAKEHOLDER ENGAGEMENT AND COMMUNICATION (EXTERNAL)

- ☐ Public Engagement was undertaken
- ☐ Public Communication or Engagement was not required
- ☐ Public/Stakeholders were informed
- ☒ Stakeholder or customer dialogue/relations were undertaken

The corporate risk review process that results in The City's risk profile includes engagement and work with a number of key stakeholders and includes a bottom-up component (e.g. service risk registers) and a top-down component (e.g. information from PCR owners), which is validated by the Executive Leadership Team (ELT).

Additionally, the annual IRM risk maturity survey engages with stakeholders to inform the advancement of risk management at The City and the three goals of the IRM Program: develop a robust risk culture, mature The City's IRM Program and improve risk communication and coordination.

Annual Principal Corporate Risk Report

IMPLICATIONS

Social

This report provides an update on The City's exposure to Social Impact Risk and our response strategies to manage this risk including using existing partnerships with the non-profit sector, community groups and advisory committees to understand emerging needs and gaps, managing risks through collaboration, coordination, and collective action, and maintaining accountability and reporting protocols to measure community and citizen impact.

Environmental

This report provides an update on The City's exposure to Environment Risk and supports the advancement of Council-approved strategies and initiatives, such as the Resilient Calgary Strategy and Calgary's Climate Resilience Strategy. Monitoring and reporting on Environmental Risk provides organizational focus to prepare and respond to the risks of climate change which requires immediate and long-term efforts.

Economic

This report provides an update on The City's exposure to Economic Risk and our response strategies to address this risk including implementing Administration's responses to the Financial Task Force Recommendations, the work of Economic Resilience Task Force, supporting Calgary and the New Economy Strategy - with a focus on innovation and business-friendly and implementing the Rethink to Thrive Strategy to modernize City processes, increase capacity to deliver services, and reduce costs.

Service and Financial Implications

No anticipated financial impact

RISK

Overall, The City continues to experience a heightened degree of volatility and risk exposure. If risks are not identified, assessed, and managed, The City is at risk of incurring unnecessary costs and service disruption.

The IRM team is working with PCR owners to continue to manage and monitor these risks appropriately. An improved approach for assigning PCR ownership is being undertaken to enhance coordination and intentional risk management. The results of this work along with a review of the PCRs will be presented in the 2021 Mid-year risk report.

ATTACHMENTS

1. Previous Council Direction, Background
2. The City of Calgary's Principal Corporate Risks
3. The City's Risk Profile at Year-end 2020
4. Risk Awareness – Change Management Approach
5. Advancing Risk Management

**City Manager's Office Report to
Audit Committee
2021 January 28**

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Annual Principal Corporate Risk Report

Department Circulation

General Manager	Department	Approve/Consult/Inform
David Duckworth, City Manager	City Manager's Office	Approve
Carla Male, General Manager	Corporate Planning and Financial Services	Approve
Chris Arthurs, Acting General Manager	People, Innovation and Collaboration Services	Inform
Katie Black, Acting General Manager	Community Services	Inform
Stuart Dalglish, General Manager	Planning and Development Services	Inform
Doug Morgan, Acting General Manager	Operational Services	Inform
Michael Thompson, General Manager	Infrastructure and Engineering Services	Inform

Background

Annual Principal Corporate Risk Report

Context

In keeping with the Audit Committee's mandate for assisting Council in its oversight and stewardship responsibilities in relation to risk management, this report is the first of two scheduled 2021 reports providing the Audit Committee and Council with an update on the most strategic risks facing The City of Calgary.

Previous Council Direction

On 2020 December 14, Council received for the Corporate Record the Audit Committee 2021 Work Plan which was approved by the Audit Committee on 2020 November 19 (AC2020-1306). As part of the Work Plan, the Audit Committee has directed the City Manager to provide the Annual Principal Corporate Risk Report on 2021 January 28.

Annual Principal Corporate Risk Report Timeline

DATE	REPORT NUMBER	DIRECTION/DESCRIPTION
11/19/2020	AC2020-1306	Audit Committee 2021 Work Plan Directed that the Annual Principal Corporate Risk Report be presented at the 2021 January 28 Audit Committee meeting.

Bylaws, Regulations, Council Policies

Audit Committee Bylaw 33M2020

The mandate of the Audit Committee includes assisting Council in fulfilling its oversight and stewardship responsibilities by gaining and maintaining reasonable assurance in relation to risk management (Section 4(1)(ii)).

The Audit Committee is authorized to request reports from the City Manager on The City's Integrated Risk Management and corporate risks, at least twice a year (Section 5(c)(ii)).

The Audit Committee oversees The City's process of risk identification, analysis and management procedures to mitigate risk (Schedule A, 4(b)).

Integrated Risk Management Council Policy (CC011)

On 2020 February 3, the updated Integrated Risk Management Policy was approved by Council (AC2020-0022). Council adopted the Policy to provide a more systematic and consistent approach to risk management at The City of Calgary. This report presents the results of work done in support of this Policy including the management of The City's Principal Corporate Risks and efforts to advance risk awareness.

The City of Calgary's Principal Corporate Risks

The most strategic risks that could impact The City's ability to achieve its results and deliver services to citizens (i.e. the Principal Corporate Risks (PCRs)) are reviewed and discussed at least twice per year by the Executive Leadership Team (ELT). The PCRs have been updated and were approved by the ELT on 2020 December 8. Since the 2020 Mid-year report to the Audit Committee (AC2020-0711), the total number of risks (17) remains the same; however, one of the five priority risks has changed.

The five priority risks are the subset of the 17 PCRs that the ELT identified as a particular focus for The City at this time. On 2020 December 8, the ELT approved the five priority risks: Economic Risk, Financial Risk, Health, Safety and Wellness Risk, Reputation Risk, and Social Impact Risk. Since reporting to the Audit Committee on 2020 July 23, Social Impact Risk has been added as a priority risk and Infrastructure Management Risk has been removed as a priority risk. Attachment 3 provides further details on the five priority risks, including the criteria for determining them.

In addition, four Principal Corporate Risks have updates to their risk descriptions; three risks have minor changes and one has a significant update.

- Growth Risk (minor change to description for clarity).
- Infrastructure Management Risk (minor change to description for clarity).
- Partnership Risk (minor change to description for clarity).
- Social Impact Risk (significant change to description). The changes include the addition of economic conditions contributing to social unrest and the addition of public demand for The City to develop new approaches and investments for the delivery of programs and services.

The 17 Principal Corporate Risks are listed below, in alphabetical order, along with the respective risk owner. The five priority risks are identified by an asterisk.

Business Continuity Risk Owner: General Manager, Community Services

An interruption to an essential service provided to Calgarians as a result of a vulnerability being exposed to a natural, technological or human-induced hazard.

Capacity for Change Risk Owner: City Manager

Increasing velocity, pace and quantity of change in the natural, social, economic and political environment, combined with limited flexibility in the organization to respond contributes to reduced capacity, preparation and experience required to implement new initiatives and adapt to changing priorities.

Economic Risk* Owner: City Manager

Citizens and the business community face ongoing pressure due to the volatility of local and regional economies. This risk can impact demands for municipal services (including social supports), municipal revenue and The City's priorities.

Environmental Risk Owner: General Manager, Utilities & Environmental Protection

Climatic changes may cause disruptions to operations and service delivery as well as impacts to infrastructure, the environment and Calgary's citizens. The Climate Resilience Strategy aims to maximize Calgary's resilience in the context of a changing climate.

Financial Risk* *Owner: Chief Financial Officer*

Funding constraints (lower general revenues, franchise fees and/or higher expenses) and over-reliance on debt financing may lead to an inappropriate financing structure and negatively impact service delivery and the ability to maintain critical infrastructure and adapt to growth.

Growth Risk *Owner: General Manager, Planning & Development*

While growth carries a number of economic and social benefits, it is also a significant risk for The City because infrastructure and services need to be in place and timed with demand. This means The City must anticipate both the amount and pattern of growth. The risks of ineffective growth planning are financial and reputational and can impact The City's capacity to deliver infrastructure and services that meet city-wide demands.

Health, Safety and Wellness Risk* *Owner: General Manager, Utilities & Environmental Protection*

Workforce culture, organizational resilience, and employee health, safety and well-being are affected by internal factors such as the pace/amount of organizational change, as well as external factors such as Calgary's economic environment and population health.

Infrastructure Management Risk *Owner: General Manager, Transportation*

The City owns and operates public infrastructure systems like water service, storm and sanitary sewers, roads, sidewalks, pathways, bridges, tunnels, Ctrain tracks, structures, and buildings. The City is exposed to risk of these assets failing as they age, particularly if lifecycle maintenance is not prioritized.

Legal & Compliance Risk *Owner: City Solicitor and General Counsel*

Law provides Legal Counsel and Advocacy (LCA) services to the Mayor and Council, City Manager, General Managers, Directors and employees of every business unit at The City. Advice is not always sought in sufficient time to allow a strategy to be developed or action to be taken on a proactive basis, resulting in the corporation having to react to issues or lawsuits. This can impair the Corporation's ability to complete projects and conclude transactions on time, on budget and within scope, and may result in financial losses or unnecessary business, legal, financial or reputational risk for The City.

Operations, Process Risk *Owner: Chief Financial Officer*

Failure to ensure appropriate processes are in place to manage the complexity of operations.

Partnership Risk *Owner: General Manager, Community Services*

Counterparty risk arising from City partners unable to deliver services or manage assets. This analysis focuses on Civic Partners, and Community Associations and Social Recreation Groups with a Lease or License of Occupation. The health and sustainability of these partners impacts delivery of services and programs to Calgarians and the management and operation of City-owned assets.

Political Risk *Owner: City Manager*

Changing priorities or actions of municipal, regional, or other orders of government paired with rapid changes in the natural, social or economic environment could result in funding challenges that may adversely impact The City's ability to deliver on citizen expectations.

Reputation Risk* *Owner: Director, Customer Service & Communications*

Reputation risk is damage to the image of The City or negative perceptions by citizens or stakeholders as a result of actions of elected officials or City employees. This risk can threaten

The City's ability to maintain positive and productive relationships with citizens, businesses, partners and the ability to achieve its corporate objectives.

Security Risk *Owner: City Manager*

A violent attack on or in City space could result in loss of life, serious injury, as well as halting critical service delivery.

Social Impact Risk* *Owner: General Manager, Community Services*

Changing social and economic conditions have contributed to social unrest. The model of shared responsibility between government and community for social outcomes puts pressure on The City's capacity to respond to the diverse needs of Calgarians with preventive programs and services. This risk can have negative impacts on the social wellbeing of citizens and result in public demand for The City to develop different approaches and investments in the delivery of programs and services.

Talent Management & Workforce Planning Vulnerability Risk *Owner: Chief Human Resources Officer*

Inability to attract, develop, engage and retain key talent and knowledge to meet current and future business needs.

Technology Risk *Owner: Chief Information Technology Officer*

Vulnerabilities are any weaknesses identified in The City's information technology environment that may leave information and technology assets exposed to a potential threat through malicious emails, websites, viruses, data breaches and information disclosures. These threats can put The City at risk for disruption to services, information theft or loss, malicious programs being uploaded, or identity theft.

The City's Risk Profile at Year-end 2020

The City's risk profile shows the effects of operating within a heightened risk environment. This Attachment updates The City's risk profile following the 2020 year-end cross-corporate review.

The update consists of five parts:

- Part 1: Context, Systemic Risk and The City's Response
- Part 2: Principal Corporate Risk Ratings
- Part 3: Five Priority Risks
- Part 4: Capital Risks
- Part 5: Critical Uncertainties
- Appendix 1: The City's Risk Matrix

Part 1: Context, Systemic Risk, and The City's Response

In 2020, The City experienced a heightened degree of volatility and risk exposure. This was due to two significant systemic risks (external risks that have a large impact on multiple sectors at the same time) materializing simultaneously in the form of an economic shock and the global pandemic. These are long-tail risk events, and the impact will continue to be felt into 2021 and beyond.

There are two areas of risk facing The City. The first is that the organization may be required to reduce service levels due to external and internal pressures. The second area of risk is whether the organization will be able to meet expectations as to what The City can do to contribute to Calgary's economic recovery, as some of those expectations would require tools and levers that are broader than those The City of Calgary currently has at its disposal to address them.

Responding to systemic risks compelled the organization to test its existing risk controls and to try new ways of doing things. The organization is also changing to adopt a new organizational structure and strategic direction, as outlined in the Rethink to Thrive Strategy.

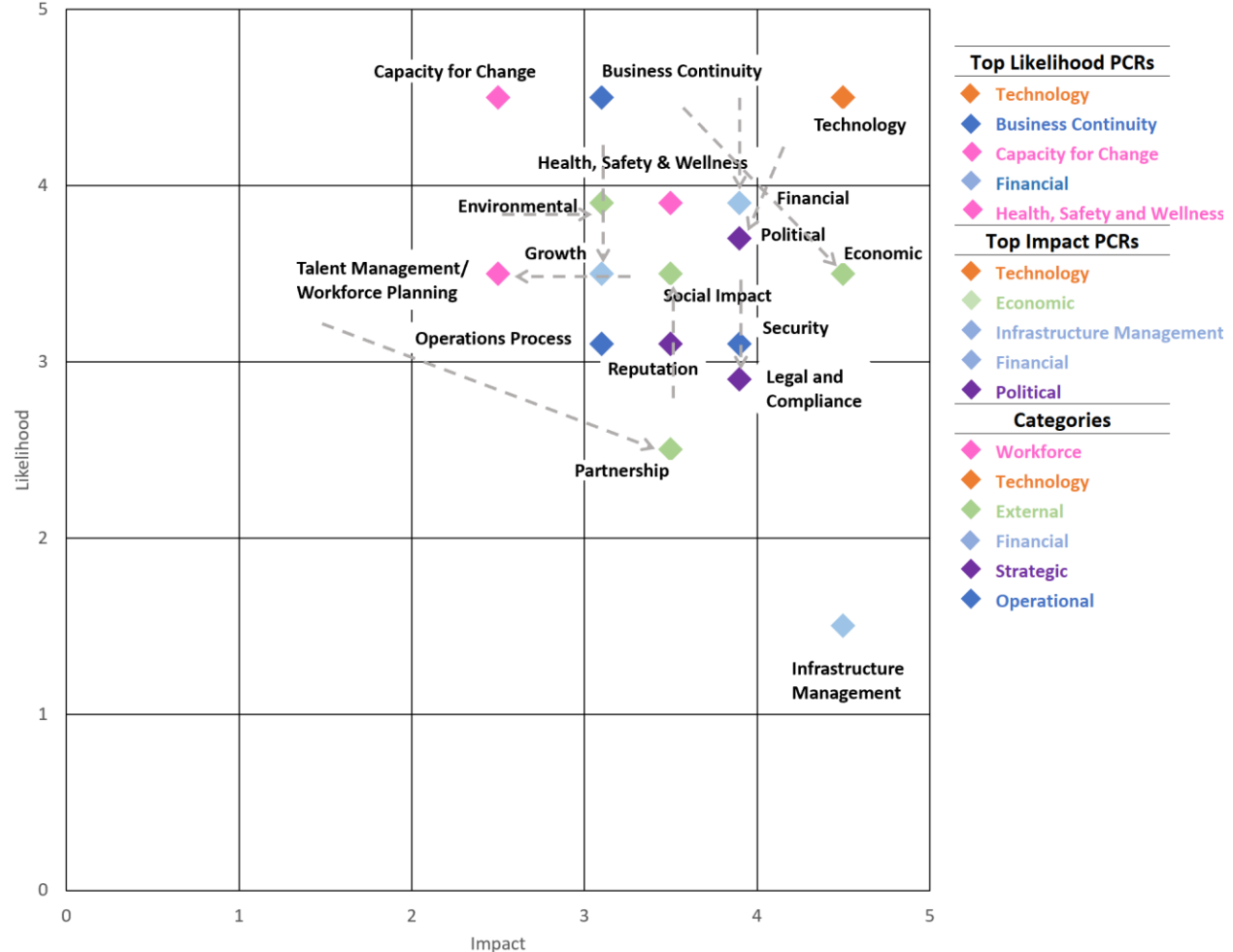
The City's Mid-Cycle Adjustments and the SAVE program presented cost savings, efficiencies, and a modernizing of municipal government to leverage the organization's capacity to offset tax burdens on its citizens and to create a culture of innovation and judicious risk taking. The Integrated Risk Management (IRM) team is, and will continue to be, working with other risk functions throughout the organization to facilitate these, and other, risk response strategies.

Finally, responding to risk has necessitated our organization to seek new approaches in uncertain times to ensure The City's ability to achieve its results and deliver services to citizens. This new approach includes advancing the Strategic Foresight Road Map, including critical uncertainties and scenario development. One such critical uncertainty is increasing social unrest. There is the potential for trends related to disenchantment with government, unemployment (particularly of youth/young adults), and education rates to develop into an emerging risk that could manifest into significant disruptions of government operations. In the face of such challenges, the IRM team and our partners are adopting practices to support short, medium, and long-term planning to ensure that our organization remains resilient and prepared in the event of more shocks and stressors.

Part 2: Principal Corporate Risk Ratings

Figure 1 below illustrates The City's Principal Corporate Risk (PCR) ratings as of 2020 year-end. The grey arrows demonstrate risks that have moved from their 2020 mid-year risk ratings.

Figure 1: The City's Principal Corporate Risk Ratings



Note: The categories in Figure 1 (i.e. workforce, technology, external, financial, strategic, operational) indicate which PCRs are related and connected to each other. Risks within a common category can have a compounding impact.

Since the 2020 mid-year Principal Corporate Risk report to the Audit Committee, nine PCRs have changed their risk rating as shown in the table below. The updates reflect information provided by subject matter experts, as well as new sources of risk information made available to the IRM team such as brief questionnaires, reviews of key risk indicators and measures, as well as scenario planning submissions related to COVID-19 and The City's response strategies.

PCR	Rating Change	Justification
Economic Risk	Likelihood decreased And Impact increased	The prolonged, sustained exposure to this risk that we experienced in 2020 indicates a more significant impact. Calgary is likely to experience a K-shaped recovery which occurs when the economy recovers at an uneven rate among sectors. Further, office vacancy rates and unemployment levels may continue to rise.
Environmental Risk	Impact increased	Climate risk is increasing globally, including Calgary. Nationally, the Insurance Bureau of Canada has seen payouts from extreme weather more than double every five to ten years, recently in Calgary we have seen this trend locally as well. Preparing to respond to the risks of climate change will require immediate and long-term efforts from the organization.
Financial Risk	Likelihood decreased	The City continues to face uncertainty when it comes to financial risk, though steps taken in 2020 should allow the organization to be in a position to continue to face stressors into 2021.
Growth Risk	Likelihood decreased	There are inherent revenue and cost risks associated with growth. Should growth be lower or higher than anticipated, impacts to The City's finances and to service delivery are possible, and in 2020 we saw a high degree of volatility in growth. The City has adopted a monitor, communicate, act risk response plan to manage this risk.
Legal Risk	Likelihood decreased	This risk has decreased due to the implementation of effective risk response strategies.
Partnership Risk	Rating change from Medium to High	There is an increased strain on our partnerships due to COVID-19, particularly on funding and fundraising, and on financial reserves.
Political Risk	Rating change from Severe to High	Debt incurred by federal and provincial orders of government may lead to sustained impact on municipal governments (including Calgary). At the regional level the competition between neighbouring municipalities has increased. When responding to this risk, it is difficult to balance the need for proactive and reactive measures.
Social Impact Risk	Likelihood increased	Due to COVID-19 and the economic downturn coupled with a slow recovery, more Calgarians who are experiencing vulnerability rely on our ability to provide social programs and support.
Talent Management and Workforce Planning Risk	Impact decreased	Certain areas in the organization face acute challenges related to this risk. Yet, overall, The City is able to attract talent, while retention and satisfaction rates remain relatively stable over the past year.

Part 3: Five Priority Risks

The five priority risks are determined based on the following criteria:

- Expected increase in pressure on this risk.
- Required focus and attention on risk controls or responses.
- Required cross-corporate effort to effectively manage.

After applying these criteria, The City has updated its list of five priority risks.

<p>On 2020 June 25, the ELT approved these Five Priority Risks:</p> <ul style="list-style-type: none"> • Economic Risk • Financial Risk • Health, Safety and Wellness Risk • Reputation Risk • Infrastructure Management Risk 	<p>On 2020 December 8, the ELT approved these Five Priority Risks:</p> <ul style="list-style-type: none"> • Economic Risk • Financial Risk • Health, Safety, and Wellness Risk • Reputation Risk • Social Impact Risk
--	--

While Infrastructure Management is one of the top risks to the organization in terms of impact, and we should continue to monitor and to manage closely, key controls are in place and there is clear direction on how to manage this risk going forward. The Social Impact Risk is more critical at this time. It has risen in terms of its overall rating which is an indication that there are increasing pressures and stressors on this risk. While this risk is currently well managed and monitored, the organization may need to adjust its response strategies as this risk is dynamic, and the context in which we operate is quickly changing. Analysis of this risk is included below.

The City continues to experience significant exposure in the five priority risks. The IRM team held sessions with subject matter experts on each of these risks to discuss current performance measures, indicators, and response strategies and will continue to work with stakeholders to support proactive risk management practices.

Economic Risk: from shock to recovery

The economic risk is related to a second wave of COVID-19 in Calgary. This necessitates renewed restrictions and business closures which may inflict serious harm to an already weakened local economy. Additionally, because of COVID-19, Calgary is likely to experience a K-shaped recovery which occurs when the economy recovers at an uneven rate. Some sectors of the economy will experience positive outcomes while other sectors continue to suffer decline (in Calgary stressed sectors are: tourism, hospitality, entertainment, oil and gas, and commercial real estate).

Also, as many downtown businesses have shifted to remote work, downtown service providers and building operators will continue to experience a decline in demand and lost revenues. Office vacancy rates and unemployment levels will remain a concern. Coupled with a prolonged collapse in business and tourism travel, the extreme risk is that Calgary's downtown will become increasingly less attractive, as a place to work, live, or visit.

In response

The City has taken a number of steps to address this risk. Key highlights of this work are:

- Establishment of an Economic Resilience Task Force to mitigate this risk.

- Implementation in 2021 and 2022 of the Administration's response to the recommendations of the Financial Task Force.
- Continuing to implement the "Business Friendly" strategy to improve City services in support of local businesses.
- The City Manager is implementing the "Rethink to Thrive" strategy which focuses on enhancing collaboration and innovation that modernizes city processes that increases The City's capacity to deliver services to residents, reduce costs and improve the reputation of municipal government.

Financial Risk: managing finances through volatility

In 2020, The City of Calgary had a high level of risk due to funding constraints on both the operating and capital fronts. For operating, this included non-property tax revenue failing to keep up with the pace of inflation, and for capital, this included Provincial delays or cuts to capital funding transfers to The City.

Additional funding and financing constraints have emerged, mostly attributable to the onset of the COVID-19 pandemic for 2020. For 2021, The City is monitoring the risk of higher levels of non-payment of municipal taxes, decline in non-property tax revenue sources and the cost of service delivery during response and recovery.

In response

To address the heightened financial risk, City Administration has implemented five tactics to narrow the gap due to lower revenues and higher expenses. They are:

1. Implemented service changes to meet the changing needs of Calgarians.
2. Found and implemented efficiencies for the organization.
3. Enacted a hiring freeze and review process for unfilled vacancies.
4. Enabled further use of reserves.
5. Adjusted capital programs.
6. Applying for grant funding as it is made available by other orders of government.

Health, Safety, and Wellness Risk: focusing on the physical and mental health of our people

The organization will continue to face challenges related to health, safety, and wellness risks. There are internal and external pressures on employees which may negatively affect employee mental health and resilience over time. This includes exposure to COVID-19 or to stressors related to having a large portion of the workforce working from home.

As a result of several important strategies and tactics that were initiated in 2020 and are continuing to be implemented to protect employee physical and psychological safety, safety performance has improved this year over the previous year. However, it may take time to achieve sustained, long-term positive results on health, safety and wellness performance.

In response

In order to manage this risk, The City is:

- Enhancing the Occupational Health and Safety Management System and Corporate Safety Strategy and continuing to implement the Healthy Workplace Strategy.

- Implementing specific initiatives to improve safety performance including: mandatory health, safety and wellness training for all City leaders; traffic safety; employees' right to refuse unsafe work; and an internal safety auditing program.
- Responding to COVID-19 with respect to the health, safety and wellness of City employees. This includes building employee resilience and creating physically and psychologically safe work environments in these challenging times.

Furthermore, a psychological safety governance working group has been formed to coordinate support to employees and The City regarding accountability and responsibilities pertaining to psychological safety.

Reputation Risk: telling our story to promote citizen trust and confidence

A positive reputation for The City is a catalyst for delivering services, engaging citizens and partners, and working collaboratively with other orders of government. As a municipal government, the organization faces a high degree of public scrutiny, and any of our activities have the potential to influence this risk.

We regularly monitor and measure this risk through the Citizen Satisfaction Survey. Citizen trust and satisfaction has declined for both Council and Administration in the fall of 2020, though not by a large margin. All reputation measures monitored by The City have likely been negatively impacted by the economic recovery as citizen trust and confidence in government is often stressed during difficult economic times. Further, The City continues to face public scrutiny related to the property tax shift, reductions in City services, and other contentious City investment decisions.

In response

Managing The City's reputation relies on the entire organization, as exemplified in our shared values, individual responsibility and collective accountability. To manage this risk, the organization will:

- Continue to educate, inform and speak with One Voice in response to COVID-19 as well as ensure communication are aligned and updated.
- Support City initiatives and committees tied to economic recovery by elevating and amplifying messaging regarding The City being open, transparent and business friendly (e.g. Downtown Strategy, Event Centre, Green Line, Arts Commons revitalization).
- Renew focus on telling our 'story' of high-quality, affordable services and correcting misinformation to communicate the value for taxes, strengthening trust.
- Create and sustain partnerships within the organization to improve the service planning and budgeting process by leveraging citizen perspectives and insights.

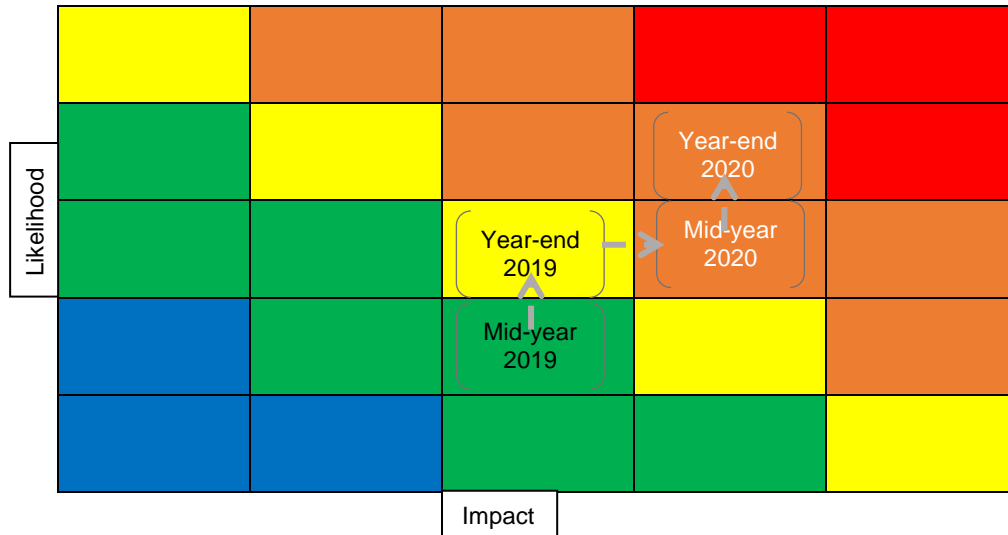
Going forward, it is recommended that we seek greater clarity about how The City defines and measures reputation.

Social Impact Risk: sustained, increased stressors lead to high risk exposure

The Social Impact Risk has increased its risk rating in every cross-corporate risk review since mid-year 2019 (Figure 2 below). Calgary's social and economic conditions are changing, which has contributed to social unrest. The City's ability to respond is under pressure, as it requires

shared responsibility between other orders of government and key community partnerships. This risk, as it materializes, has a negative impact on the well-being of citizens.

Figure 2: Social Impact Risk Rating Changes



In response

The City is currently focusing on three main strategies to address the Social Impact Risk. They are:

- Use existing partnerships with the nonprofit sector, community groups and advisory committees to understand emerging needs and gaps, and then mitigate risk through collaboration, coordination, and collective action (including advocacy strategies with other orders of government).
- Maintain accountability and reporting protocols to measure impact of funds dispersed, and/or programs and services delivered.
- Monitor number of applicants to Fair Entry; and other social programs, including waitlists.

Part 4: Capital Risks

Related to The City's capital projects, The City is facing a volatile situation. While the COVID-19 pandemic is a disruptive event, The City remains optimistic about its ability to deliver its capital portfolio approved in the One Calgary Service Plans and Budgets. While some challenges remain (i.e. contractual, access to human capital, access to materials), The City is working to address these to maintain minimal impact on project delivery.

Infrastructure Calgary is monitoring the risks, issues, impacts and status of capital investments as a result of the COVID-19 pandemic and is working with services that deliver capital investments to support risk mitigation and advance projects where possible. The City continues to work with industry partners to maintain construction as an essential service and keep Calgarians working safely through the pandemic.

Part 5: Critical Uncertainties

To complete The City's risk profile, we have revisited the mid-year listing of critical uncertainties facing the community and organization. Critical uncertainties are a key component of strategic foresight, a scenario planning tool that was introduced to the ELT during the first wave of the pandemic to foster a new way of thinking during highly uncertain times. Identifying critical uncertainties is part of the strategic foresight process which seeks to build plausible futures, test assumptions and ultimately reduce the chance of being caught by surprise. Our analysis at year-end shows that many of the critical uncertainties identified at mid-year proved relevant, experienced changes and are worth monitoring. Many of the critical uncertainties listed have been factored into our short-term actions and risk response strategies and are being used to develop scenarios as part of the Strategic Foresight Road Map (Figure 3 below).

Critical uncertainties are realities that are unstable or unpredictable and are important to understand to plan and inform decision-making in the short, medium and long term.

The chart below assesses the initial listing of critical uncertainties at 2020 year-end and describes the impact on The City in the short, medium and long-term.

Assessing Critical Uncertainties at year-end:

Critical Uncertainties	Assessment and impact on The City
<i>A city of safe and inspiring neighborhoods</i> <ul style="list-style-type: none"> Increasing social unrest and protests Less physical togetherness and fewer community gatherings Social inequalities and impacts on vulnerable populations The role of partnerships: including Civic Partners, other governments, post-secondary, The City and the private sector. 	<p>At year end, these critical uncertainties have been factored into the short-term actions and risk response strategies for The City's Social Impact Risk. The role of partnerships forms part of future scenarios to develop insights and priority actions over the medium term (next business planning cycle) and the long term (10 years).</p>
<i>A healthy and green city</i> <ul style="list-style-type: none"> Current and future mental health impacts Change in philosophy about health and how we recreate Personal hygiene norms and expectations Health and science-based decision making Increased demand for open spaces Continued support for climate change strategies 	<p>The year-end review reflects that health critical uncertainties are incorporated within the Health, Safety and Wellness Risk and Social Impact Risk. The year-end assessment of the increasing demand for open spaces requires further review especially over the long-term. At year-end, renewed support for climate change strategies is re-gaining momentum both globally and locally. The medium and long-term impacts will form part of the scenarios. Other emerging risks may be identified.</p>



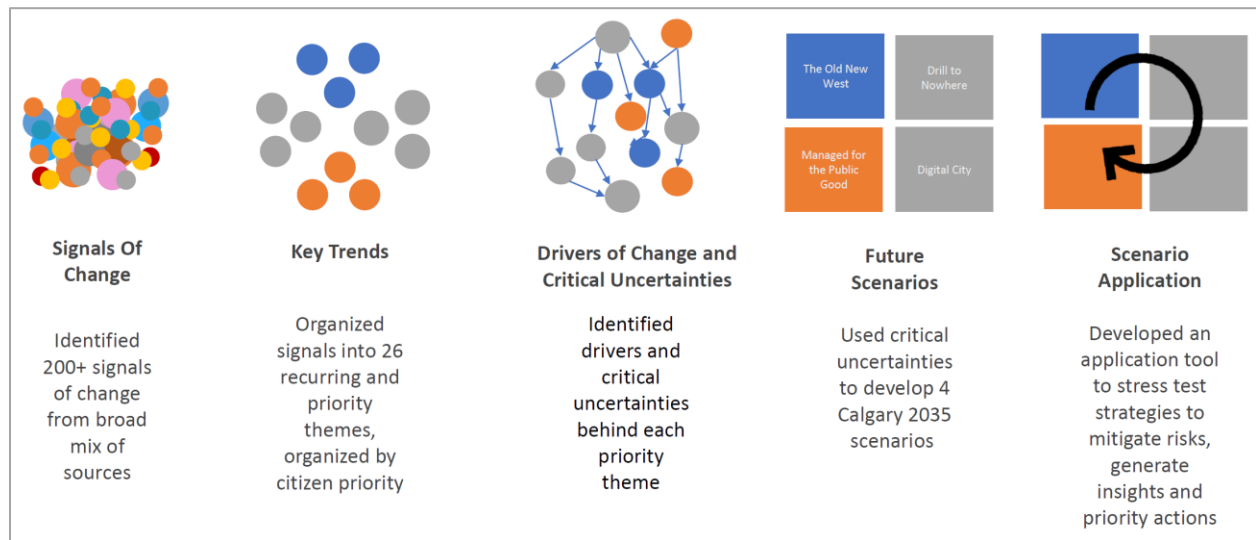
Critical Uncertainties	Assessment and impact on The City
<i>A city that moves</i> <ul style="list-style-type: none"> • Transit ridership, the way we move and interact • Transportation hubs and measures to promote public health, screening, and proximity • Protecting essential workers and those working outside of the home who use transit • Increased cycling and pedestrian traffic 	<p>The critical uncertainties related to <i>a city that moves</i> are reflected in the Transportation Department's Future of Transportation: COVID Recovery Summary Report (TT2020-1120). Specific actions are being implemented and scenarios are informing strategic and long-term plans for Transportation, urban form and goods movement.</p>
<i>A prosperous city</i> <ul style="list-style-type: none"> • Changing business models • Vacancies in downtown buildings • Future development investment • Changing commuter habits and consumer behaviours 	<p>At year end, some of the economic uncertainties such as vacancies in the downtown core and consumer behaviours have materialized and are reflected in the risk response strategies. Future development investment requires more analysis for consideration in scenarios. Changing commuter and consumer behaviours are included in future scenarios.</p>
<i>A well-run city</i> <ul style="list-style-type: none"> • Employer responsibilities and employee rights • Property tax system stability and changing revenue sources • Working from home • User fee levels required for services • More technology – online services 	<p>At year end, property tax changes, working from home and online services are incorporated into response strategies, next cycle, and long-term planning. Conversations and analysis are required to inform scenarios.</p>

Using Critical Uncertainties going forward

Since April 2020, a group of cross-corporate representatives called the Scan Club has met regularly to discuss COVID-19 changes to our city and community. The purpose of the discussions was to identify any changes that have the potential to impact the future of Calgary in the next 18 months to 10 years, to identify potential high-level actions to manage the risks and to build strategic foresight capacity within our organization.

As shown on the Strategic Foresight Road Map below, the process has resulted in the identification of over 200 signals of change, key trends, drivers of change and critical uncertainties. These have been used to develop exploratory, plausible future scenarios and a scenario application tool. These will be made available to the organization to inform recovery efforts, short, medium and long-term planning including the evaluation of existing planning strategies such as the Municipal Development Plan (MDP) and the Calgary Transportation Plan (CTP).

Figure 3: Strategic Foresight Road Map



This new way of thinking and the use of strategic foresight and scenario planning supports next cycle planning and aligns with our Rethink to Thrive Strategy, Administration's blueprint for building a stronger organization, and The City's 2019 Resilient Calgary Strategy which identifies a "Future Focused Calgary". This work is being supported by the Integrated Risk Management, Resilience Calgary, Transportation, One Calgary and departmental representatives.

Appendix 1: The City's Risk Matrix

		Risk Matrix				
		Level	Probability*			
Likelihood	5 Almost Certain	90% and greater	Medium	High	High	Extensive
	4 Likely	65-89%	Low	Medium	High	Extensive
	3 Possible	35-64%	Low	Low	Medium	High
	2 Unlikely	11-34%	Slight	Low	Low	Medium
	1 Rare	10% and less	Slight	Slight	Low	Low
Impact						
			1 Negligible	2 Minor	3 Moderate	4 Significant
			5 Severe			
			Minimal impact. Still able to achieve objectives without disruption.	Coping strategies required - able to be addressed with existing plans and resources.	Challenges to achieve objectives. Some delay, aspects of objectives only met in part.	Difficulties to achieve objectives. Delays or notable aspects of objectives not completed.
			Unable to meet objectives due to serious, extended disruption.			

Risk Awareness – Change Management Approach

The advancement and integration of risk awareness in our City culture enhances decision-making to contribute to a well-run City and to support innovative service delivery to Calgarians. This attachment provides an update on the change management approach to advance risk awareness at the City. Advancing risk awareness contributes to the following Council Directive:

We need to recognize that we miss opportunities for innovation in management, service delivery and planning because of an existing culture of risk avoidance. We need to create a culture, including City Council, that embraces appropriate levels of risk, innovation, experimentation, and embraces lessons learned as opportunities to improve.

What is meant by a risk aware culture?

A risk aware culture embraces the positive and negative side of risks to inform decisions, proactively manages risks in the achievement of results, openly communicates about risks and intentionally takes risk to explore new ways to deliver services.

What is the current perception of risk?

There is a perception that risk in our organization is mostly viewed as having negative impacts, and this influences behaviours and informs decisions that tend to avoid risks or focuses conversations mostly on the mitigation of risks. Additionally, risk management is often viewed as a separate and standalone process from decision-making. This perceived separation may contribute to a lack of understanding about The City's risks and their potential impact on the achievement of results for Calgarians.¹

What are we doing?

There are four key components² of change that are being addressed to shift the perception of risk to advance a risk aware culture at The City.

1. Align and Plan for Advancing Risk Awareness

In 2021, risk management efforts will continue to align with the corporate priorities, programs and initiatives such as the implementation of the Rethink to Thrive Strategy. Progress has been made in 2020 with aligning and integrating risk management with other corporate priorities such as the SAVE Program. By further integrating risk management into these programs and initiatives, there is demonstration of how it is an integral part of decision-making.

2. Develop and Train Employees in Risk Management

There are a variety of resources and tools available to advance employee knowledge of risk management including an e-Learning course, on-line tools and risk workshops. Tailored risk management support will be provided to services in 2021 with a focus on risk awareness, risk appetite and tolerance, and advancing a growth mindset. This supports business needs

¹ Based on an annual risk management maturity survey conducted in 2020 [February] by the Integrated Risk Management team with internal City of Calgary stakeholders.

² "Navigate Change," McLean & Company, accessed November 10, 2020, <https://hr.mcleanco.com/research/ss/navigate-change>.

by providing tools and methods that services can employ on a regular basis to make risk management a part of managing a service.

3. Inform and Interact about the Importance of Risk Management

Efforts in 2021 will focus on enhanced communication with all employees on their role in managing risk as well as continued communications with our risk network. A key component is to increase risk awareness and risk management practices within the organization. In 2020, some of the communication efforts were delayed due to the COVID-19 pandemic. However, risk awareness was advanced where possible (e.g. increased transparency with the public and employees on The City's Principal Corporate Risks).

4. Measure and Iterate

Further work will be undertaken in 2021 on the link between performance measurement and risk including how performance ranges can be used to support discussions on risk appetite and tolerance. In 2020, the risk maturity survey provided evidence-based information to inform decision-making, and the Principal Corporate Risk management strategies were assessed using performance measures and community indicators.



Governance and Oversight

- Council Policy
- Executive Leadership Team (ELT), Leadership Commitment
- Administrative Guidelines
- Standard Program Framework
- Common Standard/Model ISO 31000
- Report on the Principal Corporate Risks to the Audit Committee and Council 2x/year
- Confirm the Principal Corporate Risks with the ELT 2x/year
- Principal Corporate Risk Ownership by Members of the ELT
- Report Regularly to the Audit Committee of Council and to the ELT on the Status of the IRM Program

Risk Integration with Strategic Direction (examples)

- Rethink to Thrive Strategy
- The City's Performance Management System (one of five elements)
- Service Plans and Budgets
- SAVE Program
- Resilient Calgary Strategy/Strategic Foresight
- Monthly COVID Reporting
- Consulting, Facilitated Sessions to Support Strategic Decision-making
- Intentional Management of Principal Corporate Risks with Defined Corporate Risk Appetite, Management Response Strategies and Performance Measures

Established Practices and Processes (examples)

- Standard 5 Step Process for Managing Risk
- Service Risk Registers
- myCity Website with Tools and Resources for all City employees
- Project Risk Management Standard and Guidance (Corporate Project Management Tools and Resources)
- Cross-corporate Risk Reviews Conducted at Least 2x/year
- Bottom-up and Top-down Review and Analysis of Risks at Least 2x/year
- Standard 5x5 Risk Matrix for Assessing Likelihood and Impact
- E-learning Course for All Employees
- Risk Appetite Scale
- Required Risk Reporting in ELT and Council/Committee Reports

Review and Continuous Improvement

- IRM Program Goals and Performance Measures for 2019-2022
- Annual Risk Maturity Survey
- Annual Work Planning
- Network and Community of Practice – Risk Practitioners
- Communication
- Communication and Transparent Reporting
- Risk Awareness, Change Management
- Stakeholder Engagement and Improvements Based on Best Practices, Feedback
- Working with Stakeholders on Alignment of Risk Functions

■ Complete/In Place ■ Focus for Continuous Improvement in 2021

**Audit Resource Management Report to
Audit Committee
2021 January 28**

**ISC: UNRESTRICTED
AC2021-0043
Page 1 of 1**

External Auditor 2019 Management Letter Update

RECOMMENDATIONS:

That the Audit Committee:

1. Receives this Report and Attachment for the Corporate Record; and
2. Recommends that Council receive this Report and attachments for information and the Corporate Record pursuant to the Audit Committee Bylaw 33M2020, Schedule 'B', Section (d).

HIGHLIGHTS

- The Audit Committee has responsibility to review all External Auditor's management letters with respect to the annual financial audit.
- What does this mean to Calgarians? Calgarians are provided with assurance that recommendations made by the external auditor are followed up and implemented.
- Why does this matter? This provides citizens with transparency on Administration's efforts to mitigate any potential risk and gives assurance that recommended changes to reporting processes are implemented in a timely manner.
- At the 2020 April 20 Audit Committee meeting the 2019 External Auditor's Year-End Report was presented (AC2020-0433) in conjunction with The City of Calgary 2019 Annual Report (AC2020-0432).
- The Audit Committee reviewed the External Auditor's 2019 Management Letter (AC2020-0567) at their 2020 June 11 meeting. An update was directed to be provided to Audit Committee at the 2021 January meeting on the status of implementation of the recommendations.
- Strategic Alignment to Council's Citizen Priorities: A well-run city
- Audit Committee Bylaw 33M2020 provides the authority for Audit Committee to review the Management Letters and request updates.

ATTACHMENT

Deloitte LLP 2019 Management Letter Update

Department Circulation

Councillor Evan Woolley	Chair of Audit Committee	Approve
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AC2021-0043
ATTACHMENT
ISC: UNRESTRICTED

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January 18, 2021

Ms. Carla Male, Chief Financial Officer
The City of Calgary
800 MacLeod Trail SE
Calgary, AB T2P 2M5

Dear Ms. Male:

Following the completion of the December 31, 2019 audit of the consolidated financial statements of The City of Calgary ("The City"), we provided a letter of recommendations to Administration and the Audit Committee on June 11, 2020. This letter included an update to recommendations we identified during the fiscal 2018 and 2017 audits, as we did not identify any matters that would be of interest to Administration resulting from the 2019 audit itself. These matters were not significant or material in nature in the context of the December 31, 2019 financial statements taken as a whole and did not impact our ability to issue our audit report.

This letter provides an update to the letter presented on June 11, 2020, based on our interim audit procedures performed through to November 2020, including Administration's response. Please refer to "Auditor's Update January 2021" and "Administration's response January 2021" for specific details. This communication is prepared solely for the information and use of, as applicable, Administration, the Audit Committee, members of Council and others within The City. Further, this communication is not intended to be and should not be used by anyone other than these specified parties or summarized, quoted from or otherwise referenced in another "document" or "public oral statement". We accept no responsibility to a third party who uses this communication.

We wish to express our appreciation for the courtesies and cooperation extended to our representatives during the course of our work. We would be pleased to discuss and/or clarify the matters included herein with you further should you wish to do so.

Yours truly,

A handwritten signature in cursive script that reads "Deloitte LLP".

Chartered Professional Accountants

cc: The Audit Committee of The City of Calgary

Update to December 31, 2018 and 2017 year-end observations

1. Review of deferred revenue recognition accounting policies and processes and training at the business unit level

Year Identified – 2018 (and 2017 carried forward)

Observation:

The City's accounting and financial reporting processes require significant effort, coordination and communication between Portfolio Finance and the Corporate Financial Reporting ("CFR") team. It is important that there is timely performance of internal controls and processes that ensure complete and accurate accounting at the business unit level for the preparation of accurate annual consolidated financial statements. Due to the decentralized organizational structure of The City, each Portfolio Finance Team is responsible for material complex accounting transactions that have a significant impact on The City's annual consolidated financial statements. Thus, it is important that internal controls are operating effectively at the business unit level. Furthermore, it is important that business unit finance personnel have the appropriate level of in-depth knowledge and technical expertise of financial accounting and reporting matters to ensure timely and accurate financial reporting.

The City restated the 2017 financial statements as a result of a material misstatement identified by Administration for the accounting of revenue relating to capital deposits. Administration advised that the restatement was the result of a delay in review of capital projects financing deficits. Through discussions with business unit personnel, CFR and performance of audit procedures, we understand that there were internal controls that existed around capital project financing deficits; however, they were either not designed appropriately or did not work as intended. Following the restatement, we do note that Administration has developed and implemented new controls and procedures to prevent and detect future misstatements relating to capital deposits (these will be subject to audit testing during the fiscal 2019 audit).

Recommendation:

While the restatement was related to certain business units, our recommendations below apply to all business units which are responsible for material, complex deferred revenue transactions:

Review of revenue recognition policies and processes

1. As the restatement related to accounting for capital deposits, reserves and revenue, we recommend Administration perform a review of revenue recognition policies and procedures to ensure internal controls designed to prevent and detect misstatements are operating effectively and there is compliance with internal policies and related accounting guidance.
2. As The City formally prepares consolidated financial statements on an annual basis, operational activity during the last three months of the fiscal year is high. We recommend that Administration perform a review of the annual processes that impact revenue recognition to ensure these are being completed in a timely manner and any gaps in internal controls are rectified.

Training at the business unit level

3. We understand that due to the organizational structure of finance personnel roles, several individuals could be responsible for performing part of the accounting of a full transaction. As such, we recommend the following:
 - All individuals responsible for the accounting of a full transaction for capital deposits or reserves are included in the training sessions to understand the full accounting cycle and implication on the financial statements;
 - Training continues to be held on a regular basis (versus one time) during the year to ensure accounting processes and procedures are fully understood at the business unit level; and
 - Training be conducted on a timely basis for individuals new to the role due to staffing changes.

Recommendations carried forward from fiscal 2017, MLP #1:

The December 31, 2017 management letter included recommendations relating to capital deposits and Administration's response in January 2019 was as follows: "During 2018, Administration reviewed current processes and procedures, to ensure consistent application and has developed a work plan for 2019 using a risk-based approach to ensure there is consistency and full compliance with the accounting guidance". The recommendations from 2017 have been carried forward as part of the 2018 recommendation given that both our 2017 and 2018 recommendations relate to capital deposits:

4. The business unit conducts a review of the policy and processes relating to contributions with the objective to ensure consistency in the processes and policies utilized to account for contributions and compliance with the accounting guidance (PS 3100, *Restricted Assets and Revenues*, paragraphs 7 to 11).
5. All contributions have written agreements.
6. All contributions are used in accordance with the stipulations as per the original agreements.

Administration's response:

Administration agrees with the recommendations. To strengthen financial reporting throughout The City a work plan will be developed in 2019 and the following actions will be considered:

1. Administration will perform a review of revenue recognition accounting policies and processes to ensure internal controls are designed to prevent and detect misstatements and they are operating effectively and in compliance with internal policies and related accounting guidance.
2. Administration will perform a review of the annual processes that impact revenue recognition to ensure these are being completed in a timely manner.
3. Administration will work to develop training programs for new and existing staff to ensure the appropriate level of knowledge and technical expertise of financial accounting and reporting matters to ensure timely and accurate financial reporting.
4. Addressed through action #1.
5. Administration will ensure that processes are in place for having written agreements for all contributions.
6. Addressed through action #1 as this is part of revenue recognition standards.

Auditor's update January 2020 (based on 2019 interim audit procedures):

We held discussions with Administration and reviewed the work plan implemented by Administration in fiscal 2019. We note that during fiscal 2019, Administration has implemented processes to address this recommendation as indicated in Administration's response below. Through these discussions and review of the work plan, we understand that the work plan was partially implemented in fiscal 2019, in accordance with the implementation plan, and will continue to be implemented through fiscal 2020. During our year-end fieldwork, we will apply audit procedures as applicable (relating both to internal controls and detailed testing as well as new processes implemented in 2019) and will report any deficiencies or further recommendations to Administration and the Audit Committee upon completion of the 2019 year-end audit. As Administration's work plan will be implemented through fiscal 2020, we will continue to work with Administration in addressing this recommendation in the next fiscal year.

During fiscal 2019, we have also expanded our testing on the offsite levy balance, which is part of the capital deposits balances. We will complete our testing in March 2020 and report back to Administration and the Audit Committee.

Administration's response January 2020 (based on November 2019 interim audit procedures):

Administration continues to agree with these recommendations. During 2019, Corporate Financial Reporting developed a work plan to address the recommendations and started work to mitigate the risk of revenue recognition misstatements going forward. Actions taken during 2019 include:

- a. Leveraged the Hyperion tool to import monthly PeopleSoft actual expenditures and financing entries and refresh the carry-forward balances from all approved capital budgets. Business unit Finance provides a copy of the carry-forward form three times per year indicating that analysis has been performed and financing entries, where appropriate, have been recorded. This ensures that funding for capital projects are recognized in the correct period. This detective control improvement partially addresses recommendations #1, 2 and 4.
- b. Using a risk-based approach, business units were analyzed and prioritized based on two factors: their relative deferred revenue balance and prior year restatement amounts. Corporate Financial Reporting worked with Portfolio Finance and Portfolio and Strategy in 2019 to understand historical processes and procedures, identified gaps in process and procedures and developed new controls to address these gaps. This work will continue in 2020 to ensure that all business units' processes and procedures are reviewed to mitigate the risk of revenue recognition misstatement going forward. This work partially addresses recommendations #1, 2, 5 and 6.
- c. Corporate Financial Reporting held sessions in May, September and December, which included information about the new detective control for financing deficits. This provided Portfolio Finance with an understanding of the new control, its purpose and how it can detect issues pertaining to the recognition of funding. This work partially addresses recommendation #3.
- d. During 2019, Operations developed new processes and requirements to ensure that Development Agreements are signed on a timely basis. Starting in 2020, a Developer can only receive a Development Agreement if they have agreed to the "Terms and Conditions" (also known as the Master Development Agreement) between The City and the Developer. The Master Agreement discusses the administrative duties, offsite levy rates, application for certificates, maintenance periods and general provisions. The Master Agreement also details the obligations that The City requires of all land developers to follow. This work addresses recommendation #5.
- e. Corporate Financial Reporting, Portfolio Finance and Portfolio and Strategy have been limited by resource constraints in 2019 but are committed to the review of processes and procedures including internal controls to ensure that revenue recognition is occurring in a timely manner.

Update to December 31, 2018 and 2017 year-end observations
Page 4

Auditor's update June 2020 (based on 2019 year-end audit procedures):

During fiscal 2019, Administration made significant progress with respect to the recommendations relating to revenue recognition of capital deposits identified during the 2018 and 2017 audits based on their work plan.

Administration began reviewing revenue recognition policies and processes and implementing new controls across priority business units (as identified by Administration) in 2019. The most significant of these new controls is the carry-forward form control for financing deficits. We performed an evaluation of the design and implementation of the new carry-forward form control for financing deficits on a test basis, noting appropriate steps are being taken to ensure this new control is designed and implemented effectively. Based on Administration's work plan, in 2020, Administration plans to review the remaining business units' revenue recognition policies and procedures and implement new controls.

Administration also held multiple training sessions in 2019 regarding revenue recognition of capital deposits. As part of our audit procedures, we noted that the training session materials and topics included additional information relating to capital deposits, such as the new carry-forward form control for financing deficits.

New processes and requirements regarding Master Development Agreements will begin in 2020. Based on our 2019 year-end audit procedures performed, we noted that all agreements we selected for testing had a corresponding written agreement.

During the fiscal 2019 audit, we also expanded our testing on the offsite levy balance, which forms part of the capital deposits balance. We performed additional internal control walkthroughs to better understand Administration's processes and we designed more robust substantive procedures to ensure offsite levies which formed part of our audit selections were recognized appropriately. Based on our testing performed, no misstatements were identified.

The following summarizes our update to the prior years' recommendations:

Recommendation #	Status	Update and Completion Timeline
1, 2, 4, 5 and 6	In progress	<p>Consistent with Administration's work plan, these recommendations are still in progress, as the recommendations were not applied across all business units in 2019. In 2020, Administration plans to review the remaining business units' revenue recognition policies and procedures and implement new controls. For recommendation #5, the new process for Master Development Agreements will also commence in 2020.</p> <p>We will evaluate the design and implementation of the new policies and procedures during our 2020 year-end audit procedures and will report any deficiencies or further recommendations to Administration and the Audit Committee.</p>
3	Addressed	Recommendation satisfactorily completed in 2019.

Administration's response:

Administration continues to agree with these recommendations. During 2020, Corporate Financial Reporting will continue the work plan developed in 2019 to address the recommendations to mitigate the risk of revenue recognition misstatements going forward. Actions taken include:

- a. As discussed in the January update above, Corporate Financial Reporting and the Corporate Budget Office successfully leveraged the Hyperion tool to import monthly PeopleSoft actual expenditures and financing entries and refresh the carry-forward balances from all approved capital budgets. Portfolio Finance provides a copy of the carry-forward working paper three times per year indicating that analysis has been performed and financing entries, where appropriate have been recorded. This detective control improvement ensures that funding for capital projects are recognized in the correct period and continues to partially address recommendations #1, 2 and 4.
- b. Using a risk-based approach, business units were analyzed and prioritized based on two factors: their relative deferred revenue balance and previously restatement amounts. In 2020, Corporate Financial Reporting will continue to work with Portfolio Finance to understand historical processes and procedures, identify gaps in processes and procedures and develop new controls to address these gaps. This work will ensure that all business units' processes and procedures are reviewed to mitigate the risk of revenue recognition misstatement going forward. This work partially addresses recommendations #1, 2, 4, 5 and 6.
- c. During 2019, Operations developed new processes and requirements to ensure that Development Agreements are signed on a timely basis. Starting in 2020, a Developer can only receive a Development Agreement if they have agreed to the "Terms and Conditions" (also known as the Master Development Agreement) between The City and the Developer. The Master Agreement discusses the administrative duties, offsite levy rates, application for certificates, maintenance periods and general provisions. The Master Agreement also details the obligations that The City requires all land developers to follow. The 2020 Development Agreement negotiations were finalized in early 2020, and the new process of signing and sealing the development agreements, including terms and conditions and special clauses, are now part of the formal process. This work addresses recommendation #5.
- d. Corporate Financial Reporting and Portfolio Finance continue to be limited by resource constraints. In 2020, further constraints have arisen as a result of the COVID-19 pandemic and could cause delays in execution of the work plan. We remain committed to the review of processes and procedures including internal controls to ensure that revenue recognition is occurring in a timely manner. An assessment of progress against the work plan will be performed in September 2020. We will prioritize this work as much as possible in the current environment and if required, a revised work plan will be presented to Audit Committee on October 22, 2020.

Auditor's update January 2021 (based on November 2020 interim audit procedures):

New processes and requirements regarding Development Agreements became effective in early 2020. A developer can only receive a Development Agreement if they have agreed to the "Terms and Conditions" (also known as the Master Development Agreement). This ensures that the agreements are signed and agreed upon in a timely manner. We performed an evaluation of the design and implementation of the new controls around ensuring all development agreements are signed, including acceptance of the Master Development Agreement, noting appropriate steps are being taken to ensure this new control is designed and implemented effectively. Based on our evaluation of the design and implementation of the new controls in this process, recommendation #5 has been satisfactorily addressed.

Based on discussions with Administration, Administration continues to review the remaining business units' revenue recognition policies and procedures and implement new controls to address recommendations 1, 2, 4 and 6. These remaining recommendations are expected to be addressed in fiscal 2020.

During our year-end fieldwork, we will evaluate the design and implementation of these new policies and procedures and will report any deficiencies or further recommendations to Administration and the Audit Committee upon completion of the 2020 year-end audit.

Administration's response January 2021 (based on November 2020 interim audit procedures):

Administration continues to agree with these recommendations. During 2020, Corporate Financial Reporting continued the work plan developed in 2019 to address the recommendations to mitigate the risk of revenue recognition misstatements going forward. Actions taken include:

- a. As discussed in the June update above, Corporate Financial Reporting and the Corporate Budget Office continued to successfully leverage the Hyperion tool to import monthly PeopleSoft actual expenditures and financing entries and refresh the carry-forward balances from all approved capital budgets. Portfolio Finance provides a copy of the carry-forward working paper three times per year indicating that analysis has been performed and financing entries, where appropriate have been recorded. This detective control continued in 2020 fiscal year and ensured that funding for capital projects are recognized in the correct period. In addition, Corporate Financial Reporting and Corporate Budget Office finalized a combined process memo outlining the individual controls implemented by both teams at a corporate level to review and detect any unusual financial carry-forward balances. This memo is provided to Deloitte in December 2020, along with the current management letter response and this work partially address recommendations #1, 2 and 4.
- b. Using a risk-based approach, business units were analyzed and prioritized based on two factors: their relative deferred revenue balance and previously restatement amounts. In August 2020, Corporate Financial Reporting held two comprehensive engagement sessions with Portfolio Finance and successfully presented the work plan designed to address the management letter recommendations. Business units were debriefed and required to prepare detailed process documents by November 30, 2020, including historical processes and procedures, identifying gaps in processes and procedures and outlining controls to address these gaps. In continuance of this workplan, through-out the months of September and October 2020, Corporate Financial Reporting held follow-up engagement sessions and provided the necessary guidance to the business units. The ongoing collaboration was to assist business units with their queries and comments regarding the process memos. Post November 30th deadline, Financial Reporting reviewed the memos and followed up where additional clarifications were required. These process documents are provided to Deloitte in December 2020 and January 2021 along with the current management letter response. Administration feels that this work along with point a. completely addressed the recommendations #1, 2, 4 and 6.
- c. Administration agrees that the recommendation #5 has been satisfactorily addressed.

Shareholder Alignment Review of Wholly-Owned Subsidiaries Update

RECOMMENDATIONS:

That Audit Committee:

1. Approve the Terms of Reference for the Working Group on Shareholder Alignment Review of Wholly-Owned Subsidiaries (the Working Group) (Attachment 1);
2. Receive the confidential framework for the Shareholder Alignment Review of Wholly-Owned Subsidiaries (the Review) for the Corporate Record (Attachment 2);
3. Defer the workplan for the Shareholder Alignment Review of Wholly-Owned Subsidiaries to the 2021 February 25 meeting; and
4. Direct that Attachment 2, Framework for Shareholder Alignment Review of Wholly-owned Subsidiaries remain confidential pursuant to Section 24 (Advice from officials) of the *Freedom of Information and Protection of Privacy Act*; to be reviewed 2021 March 1.

HIGHLIGHTS

- At their 2020 November 19 meeting Audit Committee approved the establishment of a working group (Attachment 3) to oversee a Shareholder Alignment Review of Wholly-Owned Subsidiaries (Verbal Report AC2020-1321). The Audit Committee directed that terms of reference for the working group, as well as a framework and work plan for the Review, be brought to the 2021 January 28 Audit Committee meeting.
- What does this mean to Calgarians? Transparency is provided on the role of the Working Group as well as the scope and work plan for completion of the Review.
- Why does this matter? Calgarians have an expectation that the Audit Committee has oversight on effective governance, risk management and compliance of wholly-owned subsidiaries of the City of Calgary.
- The Working Group met 2020 December 17 for discussions with respect to the development of the framework, timelines and work plan for the Review as well as the Terms of Reference for the Working Group.
- Strategic Alignment to Council's Citizen Priorities: A well-run city
- Pursuant to Audit Committee Bylaw 33M2020, authority is provided to the Audit Committee to institute special audits, program reviews, and special studies, including the standing authority to retain expertise through external consultants.

DISCUSSION

City Council is tasked with the oversight and governance of seven wholly-owned subsidiaries. These functions are governed by a suite of documents, reporting and processes that give Council the tools it needs to execute its role. As part of Council's strategic priority to have a well run city, the Audit Committee wants to review the governance of its wholly-owned subsidiaries to ensure they have the best governance practices and are aligned with Council priorities.

The Working Group on the Shareholder Alignment Review of Wholly-Owned Subsidiaries has been directed by the Audit Committee to provide scoping and framework, selection and oversight of an external consulting firm, development of a work plan and regular updates to Audit Committee for the duration of the review.

**Audit Resource Management Report to
Audit Committee**

**ISC: UNRESTRICTED
AC2021-0042
Page 2 of 3**

Shareholder Alignment Review of Wholly-Owned Subsidiaries Update

The Working Group is comprised of the following members:

- Chair of Audit Committee, Councillor Evan Woolley
- Councillor Member of Audit, Jeff Davison
- Citizen Member of Audit, Lori Caltagirone
- Citizen Member of Audit, Michael Lambert
- Manager, The Office of Partnerships, Lori Kerr
- Acting City Auditor, Liz Ormsby
- Manager of Treasury, Aaron Brown
- Deputy City Solicitor, Law, Denise Jakal
- Executive Advisor to Audit Committee, Corrie Smillie

The Terms of Reference for the Working Group were developed to provide clarity and transparency on their role and oversight responsibilities (Attachment 1).

The external consultant will be selected through a Competitive Call-up Statement of Requirements (SOR) under a current Request for Standing Offer (RFSO). The process of procuring an external consultant for this project has been developed in consultation with Supply Management. The framework (deliverables) developed by the Working Group for the Review is contained in Confidential Attachment 2. The Working Group will evaluate eligible proposals received and select a qualified consultant.

Once an external consultant is in place the work plan for the Review can be developed; most likely at the Working Group's initial meeting with the consultant. Deferral of the work plan has been requested until the 2021 February 25 Audit Committee meeting to allow time for these discussions with the successful proponent.

Estimated timeline for a consultant to be in place and commencement of the review is 2021 February. Completion of the Review is anticipated by the end of 2021 May with the final report and recommendations presented to Audit Committee at the 2021 June 24 Meeting.

Activity	Timeline*
Target to commence work and meet with Working Group / Scoping details	Week of 2021 February 22
Update Meetings with Working Group	Monthly from 2021 March to 2021 May
Summary of Final Findings and Recommendations to Working Group (Meeting)	Week of 2021 May 31
Final Report and presentation to Audit Committee	2021 June 24
Presentation to Council	2021 July 5

*The City reserves the right to modify any of the dates listed here.

**Audit Resource Management Report to
Audit Committee**

**ISC: UNRESTRICTED
AC2021-0042
Page 3 of 3**

Shareholder Alignment Review of Wholly-Owned Subsidiaries Update

The seven wholly-owned subsidiaries at The City of Calgary being considered for the Shareholder Alignment Review are:

- Attainable Homes Calgary Corporation (AHCC)
- Calgary Arts Development Authority Ltd. (CADA)
- Calgary Economic Development Ltd. (CED)
- Calhome Properties Ltd (operating as Calgary Housing Company)
- Calgary Municipal Land Corporation (CMLC)
- ENMAX Corporation (ENMAX)
- Opportunity Calgary Investment Fund (OCIF)

STAKEHOLDER ENGAGEMENT AND COMMUNICATION (EXTERNAL)

- ☐ Public Engagement was undertaken
- ☒ Public Communication or Engagement was not required
- ☐ Public/Stakeholders were informed
- ☐ Stakeholder or customer dialogue/relations were undertaken

IMPLICATIONS

Service and Financial Implications

Funding support for this Shareholder Alignment Review on Wholly-Owned Subsidiaries is being shared by the Audit Committee and Corporate Finance. Funding required is estimated at \$200,000.

RISK

The City's wholly-owned subsidiaries create various risks for the corporation including financial, legal and reputational. The Audit Committee believes the key to mitigating these risks is excellent governance. The working group will deliver a report that assesses these risks and makes recommendations for improved governance that will help mitigate the risks.

ATTACHMENT(S)

1. Audit Committee Working Group Terms of Reference
2. Framework for Shareholder Alignment Review of Wholly-Owned Subsidiaries (Confidential)
3. Audit Committee Motion, Verbal Report AC2020-1321

Department Circulation

General Manager	Department	Approve/Consult/Inform
Councillor Evan Woolley	Chair, Audit Committee	Approve

Audit Committee Working Group for Shareholder Alignment Review of Wholly-Owned Subsidiaries

Terms of Reference

1. Authority

At the 2020 November 19 Meeting, Audit Committee approved the appointment of a Working Group to oversee a Shareholder Alignment Review of Wholly-Owned Subsidiaries. (Verbal Report AC2020-1321).

The Audit Committee Bylaw 33M2020 provides, as follows:

Section 5, Authority of Audit Committee, indicates the Audit Committee is authorized to institute special audits, program reviews, and special studies, including the standing authority to retain expertise through external consultants.

Schedule A, Section 3, provides that the Audit Committee:

- (a) oversees and approves special audits, program reviews or special studies be conducted by the Audit Committee or by the City Auditor's Office. If required, budget funds will be provided by the Audit Committee to the City Auditor's Office; and
- (b) reviews the results of special audits, program reviews or special studies, together with responses, and forwards to Council for information.

2. Mandate

The Mandate of the Working Group is to provide oversight of the Shareholder Alignment Review of Wholly-Owned Subsidiaries including scoping and framework, selection and oversight of external consulting firm, development of a work plan and regular updates to Audit Committee throughout the review.

Wholly-Owned Subsidiaries at the City of Calgary are as follows:

- Attainable Homes Calgary Corporation
- Calgary Arts Development Authority Ltd.
- Calgary Economic Development Ltd.
- Calhome Properties Ltd (operating as Calgary Housing Company)
- Calgary Municipal Land Corporation (CMLC)
- ENMAX Corporation
- Opportunity Calgary Investment Fund (OCIF)

3. Specific Responsibilities

The Working Group shall have the following responsibilities:

- (1) Selection, oversight and management of an external consultant to perform a Shareholder Alignment Review on wholly-owned subsidiaries.

Audit Committee Working Group for Shareholder Alignment Review of Wholly-Owned Subsidiaries

Terms of Reference

- (2) Providing the external consultant with a framework for the Shareholder Alignment Review which includes the following:
 - a) Review of the mandate of each subsidiary for alignment with the goals and purpose of The City of Calgary;
 - b) Review of the risk and opportunity profile presented by each subsidiary to The City of Calgary;
 - c) Review of each subsidiary's operating, financing and investing stewardship processes in place to achieve their mandates, including processes and internal controls over business planning, budgeting, capital raising, debt limitations and covenants, and investing activities;
 - d) Review the returns received by The City from the wholly-owned subsidiaries where applicable;
 - e) Review the risk management programs of subsidiaries, including programs to manage financial, physical, environmental, safety and reputational risks;
 - f) Review applicable shareholder governance documents, such as Unanimous Shareholder Agreements or other agreements, that may guide or affect the shareholder oversight of the subsidiary, and consider whether provisions for shareholder oversight are suitable to the goals, risk profile, and general requirements of the shareholder;
 - g) Review the governance model of each subsidiary, and evaluate relative to leading practices used for similar or comparable subsidiary relationships;
 - h) Review the communication, reporting, and accountability of wholly-owned subsidiaries to Council, Administration and the citizens of Calgary and;
 - i) Identify any opportunities for improvement, and make recommendations, generally and individually, for the wholly-owned subsidiaries.
- (3) Developing a work plan for the Shareholder Alignment Review on Wholly-Owned Subsidiaries for Audit Committee's approval at their 2021 January 28 Meeting.
- (4) Determining the initial scope of the review by selecting which wholly-owned subsidiary or subsidiaries to be the first reviewed.
- (5) Establishing an estimated budget for external consulting firm to perform the review.
- (6) Returning to Audit Committee no later than their 2021 June 24 meeting with the final report and recommendations for any wholly-owned subsidiary reviewed.

4. Reports To City of Calgary Audit Committee

Audit Committee Working Group for Shareholder Alignment Review of Wholly-Owned Subsidiaries

Terms of Reference

5. Composition

- The Chair of Audit Committee, Councillor Evan Woolley (Voting)
- Councillor Member of Audit, Councillor Jeff Davison (Voting)
- Citizen Member of Audit Lori Caltagirone (Voting)
- Citizen Member of Audit Michael Lambert (Voting)
- Manager, The Office of Partnerships, Lori Kerr (Voting)
- Acting City Auditor, Liz Ormsby (Non-voting)
- Manager of Treasury, Aaron Brown (Non-voting)
- Deputy City Solicitor, Law, Denise Jakal (Non-voting)
- Executive Advisor to Audit Committee, Corrie Smillie (Non-voting)

6. Resources

Corrie Smillie, Executive Advisor to Audit Committee

7. Term

Membership expires when the mandate is complete or no later than 2021 October 18. Should the mandate not be completed by 2021 October 18 the Audit Committee shall make new appointments to the Working Group at their 2021 November 19 Meeting.

8. Quorum

4 Members (voting or non-voting) with a minimum of one Councillor and one Citizen member.

9. Chair and Vice-Chair

Chair: Chair of the Audit Committee, Councillor Evan Woolley

Vice-Chair: Councillor Jeff Davison

10. Meetings

Meetings of the Audit Committee Working Group for the Shareholder Alignment Review of Wholly-Owned Subsidiaries will be at the call of the Chair. Closed Meetings, pursuant to the *Freedom of Information and Protection of Privacy Act*, may be held as required.

Shareholder Alignment Review of Wholly-Owned Subsidiaries (Verbal), AC2020-1321

That Audit Committee:

1. Appoint a Working Group of Audit (Working Group) to oversee a Shareholder Alignment Review of Wholly-Owned Subsidiaries (Shareholder Alignment Review) with composition as follows:
 - Chair of Audit, Councillor Evan Woolley
 - 1 Councillor Member of Audit, Councillor Jeff Davison
 - 2 Citizen Members of Audit, Citizen Michael Lambert and Citizen Lori Caltagirone
 - City Auditor, Liz Ormsby
 - Manager of Treasury, Aaron Brown
 - Manager, The Office of Partnerships, Lori Kerr
 - Deputy City Solicitor, Law, Denise Jakal
 - Executive Advisor to Audit Committee, Corrie Smillie
2. Direct the Executive Advisor of Audit Committee to bring Terms of Reference for the Working Group to the 2021 January 28 Audit Committee for approval.
3. Direct that the framework for the Shareholder Alignment Review includes the following:
 - a) Review of the mandate of each subsidiary for alignment with the goals and purpose of The City of Calgary;
 - b) Review of the risk and opportunity profile presented by each subsidiary to The City of Calgary;
 - c) Review of each subsidiary's operating, financing and investing stewardship processes in place to achieve their mandates, including processes and internal controls over business planning, budgeting, capital raising, debt limitations and covenants, and investing activities;
 - d) Review the returns received by The City from the wholly-owned subsidiaries where applicable;
 - e) Review the risk management programs of subsidiaries, including programs to manage financial, physical, environmental, safety and reputational risks;
 - f) Review applicable shareholder governance documents, such as Unanimous Shareholder Agreements or other agreements, that may guide or affect the shareholder oversight of the subsidiary, and consider whether provisions for shareholder oversight are suitable to the goals, risk profile, and general requirements of the shareholder;
 - g) Review the governance model of each subsidiary, and evaluate relative to leading practices used for similar or comparable subsidiary relationships;

- h) Review the communication, reporting, and accountability of wholly-owned subsidiaries to Council, Administration and the citizens of Calgary and;
 - i) Identify any opportunities for improvement, and make recommendations, generally and individually, for the wholly-owned subsidiaries.
- 4. Direct the Working Group to oversee both the selection of an external consultant to perform the Shareholder Alignment Review as well as providing ongoing oversight of the consultant throughout the review;
- 5. Direct the Working Group to report to the 2021 January 28 Audit Committee meeting with the framework and a work plan for the Shareholder Alignment Review, considering advice, if any, that may be sought from Deloitte; and
- 6. Direct that the Closed Meeting discussions remain confidential pursuant to Section 16 and 24 of the *Freedom of Information and Protection of Privacy Act*; to be reviewed by 2035 November 19.

City Auditor's Office 4th Quarter 2020 Report

RECOMMENDATIONS:

That the Audit Committee:

1. Receive this report for the Corporate Record; and
2. Recommend that Council receive this report for the Corporate Record.

HIGHLIGHTS

- Bylaw 30M2004 (as amended) established the position of City Auditor and the powers, duties and functions of the position. Schedule A of Bylaw 30M2004 (as amended) requires the City Auditor to provide a quarterly report to Audit Committee that includes trending and achievement of City Auditor's performance measures as established to reflect effective delivery of the City Auditor's mandate, status of Administration action on the current recommended action plan commitments agreed upon in previous audit reports, and status of deliverables against the approved annual audit plan. The City Auditor is accountable to Council and subject to the oversight of Audit Committee under Bylaw 33M2020.
- What does it mean to Calgarians? The City Auditor's Office provides effective independent and objective assurance, advisory and investigative services to add value to The City of Calgary and enhance public trust.
- Why does it matter? The City Auditor provides open and transparent reporting on key activities on a quarterly basis.
- Strategic alignment to Citizen Priorities – A Well-Run City.

ATTACHMENT

1. City Auditor's Office 4th Quarter 2020 Report – AC2021-0132 Attachment

DEPARTMENT CIRCULATION

Name	Title, Department or Business Unit	Approve/Consult/Inform
Liz Ormsby	Acting City Auditor	Approve



Calgary

City Auditor's Office

4th Quarter 2020 Report October 1, 2020 – December 31, 2020

January 28, 2021

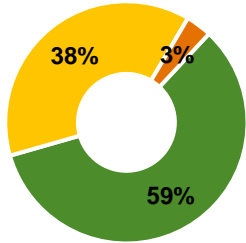
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1. Status Update

Key Performance Indicators				
Measure Area	Performance Indicator	Target	Q3 2020	Q4 2020
Efficiency	On Track to Annual Plan	Q1-26% Q2-59% Q3-82% Q4-95%	60%	75%
Effectiveness	Timely Implementation of Audit Rec.	65%	50%	67%
Quality	Client Satisfaction	85%	98%	98%
Staff	Training Plan Achieved	90%	86%	81%

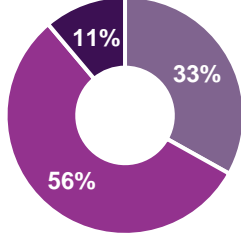
Budget (\$'000's)			
2020 Annual Budget		Actual to Date	Variance
Salary	2,764	2,477	287
Tools & Technology	130	166	(36)
Training	56	20	36
Professional Memberships	18	19	(1)
Contracted Services	4	0	4
Employee Recognition	3	0	3
Office Operating Costs	49	46	3
Total	3,024	2,728	296

New Reports (Q4 – 2020)
29



- 17 Employee
- 11 Non-employee
- 1 Undetermined

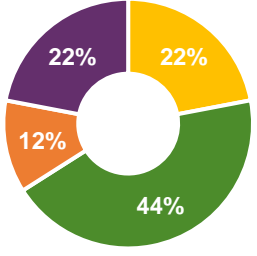
In-Progress Investigations (Q4 – 2020)
9



- 3 City Auditor's Office
- 5 WBP Triage Partners
- 1 Management

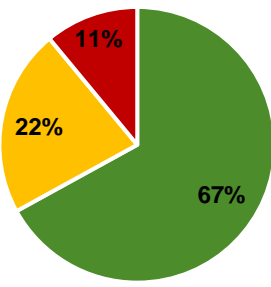
Closed Investigations (Q4 – 2020)
9

Recommendation Categories*



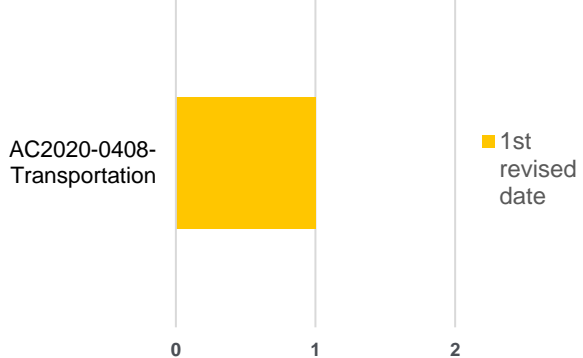
- 2 Business Integrity
- 4 Misuse, Misappropriation of Assets
- 1 HR, Diversity and Respectful Workplace
- 2 Health, Safety & Environmental

Results of 9 Recommendations Due in Q4 (Q3 - 17)



- 6 Closed - Implemented (Q3 - 59%)
- 2 Closed - Alternative Mitigation (Q3 - 0%)
- 1 Required Additional Time (Q3 - 41%)

Outstanding Recommendations # of Revised Date Requests



- 1st revised date

*Recommendations/Corrective Actions are published at www.calgary.ca/whistle

2. Initiative Briefing – Independent Review of Whistle-blower Program

An effective Whistle-blower Program is an integral component of reporting options available to City employees and Calgarians witnessing or suspecting acts of waste and/or wrongdoing. *Council Policy CC026* directs the City Auditor to establish procedures for receiving, assessing, appropriately investigating and reporting the outcome of all allegations and reports received under the Whistle-blower Program.

Procedures are routinely updated and are intended to align with best practices for managing an employee hotline and conducting related workplace investigations. In support of the City Auditor's Office commitment to ongoing improvement, and in alignment with the four guiding principles of **Resiliency, Reliability, Responsiveness** and **Risk Reduction** (4 R's), an independent review of the practices and procedures related to the day-to-day operations of the Whistle-blower Program will take place during Q1 2021.

The review will be conducted by Rubin Thomlinson LLP, regarded as the leading law firm in Canada specializing in workplace investigations. With a deep expertise in this field, Rubin Thomlinson LLP are called upon to conduct neutral workplace investigations across the country, both in the public and private sectors. The firm's lawyers draw upon their extensive experience to deliver highly-specialized workplace investigations and training for human resources professionals and managers. The definitive text on workplace investigations, *Human Resources Guide to Workplace Investigations*, was written by Rubin Thomlinson LLP's managing partners, Janice Rubin and Christine Thomlinson.



The review will comprise an evaluation of the Whistle-blower Program's effectiveness and efficiency in meeting best practice standards through:

- Review and assessment of the various policies, procedures and practices in place guiding decision-making and management of investigations;
- Assessment of investigation file structure;
- Review and assessment of practices for maintaining confidentiality, communication, and transparency;
- Review and assessment of investigation report format; and
- Interviews with 7-10 Whistle-blower Program stakeholders, including at least one member of Audit Committee.

Following their independent review and assessment, Rubin Thomlinson LLP will deliver a report to Audit Committee in Q2 2021 including any recommendations for improvement to support the ongoing alignment of the Whistle-blower Program to best practices.

2020 Audit Plan – Status as at December 31, 2020

2019-2020 Audit Plan				
#	Title	Description	Report Target	Status
2019 Carry Forward				
1	Elections Follow-up	A follow-up audit to review action plans implemented in response to the 2017 Municipal Election Review (AC2018-0852). <i>Citizen Priority – A Well-Run City</i>	Q1, 2020	Complete/ reported 2/13/2020
2	Budget Management	An operational audit of processes and reporting tools available to DeptID owners to support effective management of their operating budget. <i>Citizen Priority – A Well-Run City</i>	Q1, 2020	Complete/ reported 3/12/2020
3	Corporate Issue Management Program	An operational audit on the maturity of The City's Corporate Issue Management Program. <i>Citizen Priority – A Well-Run City</i>	Q1, 2020	Complete/ reported 3/12/2020
4	Calgary Fire - Inspections	An operational audit of the efficiency and effectiveness of Calgary Fire's inspection activities. <i>Citizen Priority – A City of Safe and Inspiring Neighbourhoods</i>	Q2, 2020	Complete/ reported 7/23/2020
5	Roads – Pothole Remediation	An operational audit of the efficiency and effectiveness of pothole remediation. <i>Citizen Priority – A City that Moves</i>	Q2, 2020	Complete/ reported 6/11/2020
2020 Audits				
1	Opportunity Calgary Investment Fund	An operational audit of Opportunity Calgary Investment Fund's grant administration. <i>Citizen Priority – A Prosperous City</i>	Q2, 2020	Complete/ reported 7/23/2020

2019-2020 Audit Plan				
#	Title	Description	Report Target	Status
2020 Audits				
2	Green Line Project Governance Follow-up	A follow-up audit to assess the effectiveness of actions implemented in response to the 2019 Green Line Project Governance Audit (AC2019-0353). <i>Citizen Priority – A City that Moves</i>	Deferred	Incorporated in the 2021 Audit Plan
3	Assessment Complaints	An operational audit to assess the effectiveness of the processes Assessment have implemented to minimize the risk of complaints increasing in volume. <i>Citizen Priority – A Prosperous City</i>	Q3	Complete/ reported 10/22/2020
4	Industrial Control Systems Security Audit	A technology and governance audit of the complex industrial control systems that support critical infrastructure in the Water and Transit business units. <i>Citizen Priority – A Well-Run City</i>	Deferred	Incorporated in the 2021 Audit Plan
5	Integrated Risk Management	An operational audit assessing the effectiveness of the Integrated Risk Management Program, which is a recurring audit (AC2014-0295) required under The Institute of Internal Auditor's International Standards for the Professional Practice of Internal Auditing. <i>Citizen Priority – A Well-Run City</i>	Q1 2021	Fieldwork

2019-2020 Audit Plan				
#	Title	Description	Report Target	Status
2020 Audits				
6	Safety Management	An operational audit assessing Administration's effective utilization of the Occupational Health and Safety Management Systems and related tools that support The City's objectives of a safe and healthy workplace for City employees. <i>Citizen Priority – A Well-Run City</i>	Deferred	Incorporated in the 2021 Audit Plan
7	311 Response	A City-wide operational audit assessing the effectiveness of processes to respond to citizen concerns received through 311. <i>Citizen Priority – A Well-Run City</i>	Q2 2021	Fieldwork
8	Councillor Expenses	An audit of Councillor expenses at the request of Council in response to Notice of Motion C2020-0263. <i>Citizen Priority – A Well-Run City</i>	Q3	Complete/ reported to Council 7/27/2020
9	Cyber Security Incident Response Follow-up Audit	A follow-up audit to review action plans implemented in response to the 2018 Cyber Security Incident Response Audit (AC2018-0410). <i>Citizen Priority – A Well-Run City</i>	Q1 2021	Reporting
2021 Audit Plan Brought Forward				
1	Green Line Program Governance Follow-Up Audit	A follow-up audit to assess the effectiveness of actions implemented in response to the 2019 Green Line Project Governance Audit (AC2019-0353). <i>Citizen Priority – A City that Moves</i>	Q2 2021	Fieldwork

Q4 2020 Recommendation Follow-up – In-progress Action Plans

Q4 2020 ACTION PLANS REQUIRING ADDITIONAL TIME TO IMPLEMENT			
Report # & Title	# of Revisions	New Revised Date	Recommendation
AC2020-0408 - Roads Pothole Remediation	1	06/30/2021	#4a)- The Manager of Roads Maintenance establish quality expectations supported by training and define measures to track and report on quality repairs.