

Progressing Risk at The City

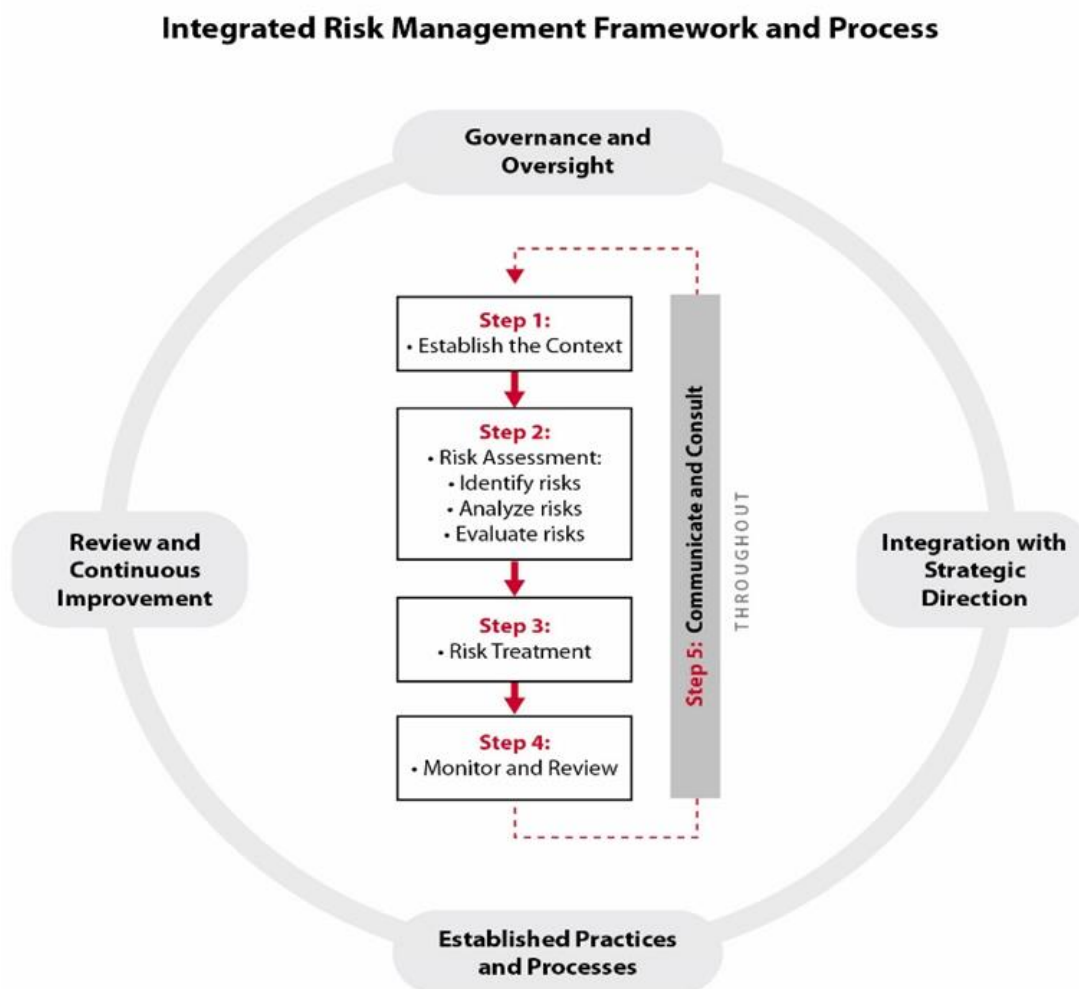
Progressing risk management and integrating risk awareness in our culture is an important part of being a well-run City and Administration's Rethink to Thrive Strategy presented to Council by the City Manager on 2020 June 29 (C2020-0699).

This Attachment provides updates on progressing risk management at The City including updates on questions raised by the Audit Committee on 2020 January 24 (AC2020-0011) about risk practices, processes and risk awareness culture at The City of Calgary.

The City's Integrated Risk Management (IRM) Framework

The City's IRM Framework and Process guides our risk management practices to inform decision making. There are four pillars to the Framework as shown in Figure 1.

Figure 1: IRM Framework and Process



The four pillars and continuous improvement efforts associated with each are shown below:

- **Governance and Oversight:** This pillar reflects that the ALT, Audit Committee and Council have responsibilities for oversight of risk management as evidenced through the Audit Committee bylaw and through regular reporting. In 2020, the IRM Council Policy (CC011) was updated and approved by Council and now reflects the opportunity to capitalize on risk and includes additional ways to manage risk beyond mitigation.
- **Integration with Strategic Direction:** This pillar reflects that Integrated Risk Management is woven into existing business processes and informs The City's strategic direction. In 2020 May, members of the ALT engaged in a strategic discussion on critical uncertainties. This work is expected to continue with the ALT and Council.
- **Established Practices and Processes:** This pillar reflects that The City has many established practices and processes which support effective risk management. This includes tools such as a risk matrix (updated in 2019 to a 5x5 matrix, shown in Attachment 2), a risk appetite scale (shown in Attachment 3), and an e-Learning course accessible by all employees.
- **Review and Continuous Improvement:** This pillar reflects that IRM is continuously evolving. A focus of IRM in 2020 is to advance a risk aware culture, which encourages everyone to manage risks proactively, including embracing the positive side of risk, and to communicate openly about risk. This way of thinking enables nimble and innovative service delivery. The City's risk maturity and culture, connecting with risk functions and considering risk in reports, promotes the advancement of risk awareness in our culture.

The City's Risk Culture and Maturity

Maturing risk awareness is a component of Administration's Rethink to Thrive Strategy. This strategy encourages innovation, experimentation and a "fail fast" mentality and a strong focus on safety (psychological and physical), respect and inclusion. In keeping with this Strategy, The IRM Program has been focusing on integrating risk awareness in our culture to embrace the positive and negative sides of risk to promote innovation. This includes encouraging open risk discussions, which require safe and respectful work environment.

The City's risk maturity is a combination of risk practices, culture, functions and processes. The IRM program contributes to risk maturity, but it is the collective responsibility of all employees based on the role outlined in the IRM Council Policy (CC011). Two important components that inform risk maturity are advancing risk practices and processes and stakeholders' perceptions of risk management.

The Risk Maturity Survey measures IRM stakeholders' perception of risk management at The City. The findings contribute to a better understanding of our IRM stakeholder's needs. The 2020 Risk Maturity Survey results are similar to the 2019 findings in that there is a desire to improve risk maturity and culture. The average desired score for risk maturity is four on a risk maturity scale of five. Even though the results support a desire for increasing risk maturity and culture, there was a slight drop in the average risk maturity to 2.4 from 2.6 in 2019. This can be attributed to:

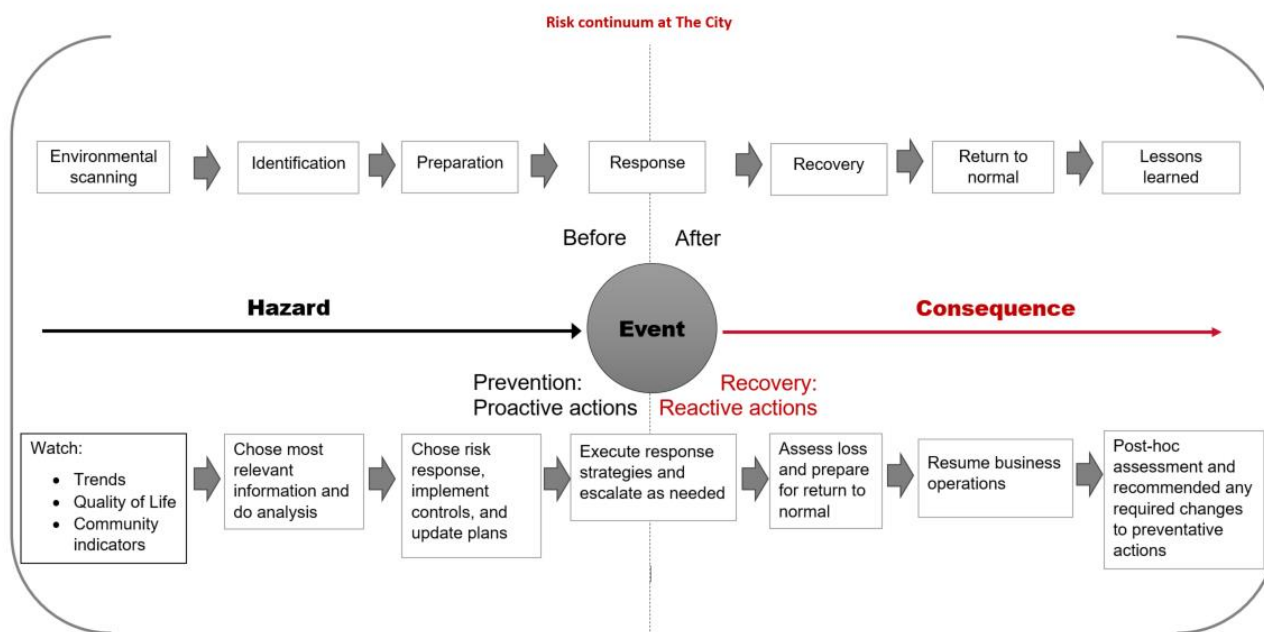
- the desire for risk communication improvements,
- the barrier identified by stakeholders of limited capacity and time for risk management,
- the need to continue to improve the integration of risk awareness in The City's culture, and
- the need to better clarify the connection between risk and everyday decision making.

In response to the Survey, the IRM Program has tactics in place to address the opportunities and challenges identified with a focus on broadening risk communications in the organization, working with risk functions to ensure alignment and establish connections, advancing risk appetite and tolerance through consultation with stakeholders, and incorporating risk into other work such as the Solutions for Achieving Value and Excellence (SAVE) program, monthly reports to Council on the service and financial impacts of COVID-19 and Mid-Cycle Adjustments to service plans and budgets.

Aligning Risk Functions

The IRM team is working with stakeholders to align risk functions and to develop a risk continuum. Other activities to support this alignment include bi-annual risk workshops, partnering to conduct sessions with senior leaders, and referencing the connections in the IRM e-course. This risk continuum tool, based on a bow-tie analysis (an analysis to identify proactive and reactive risk management strategies for an event), will demonstrate how different groups, tools and resources work together to support risk management. It spans the continuum from early scanning and detection of risks to the response and recovery from a risk event. Below is a visual representation of the risk continuum.

Figure 2: Risk Continuum at The City



Risk in Report Writing to Council

As outlined in the Integrated Risk Management Council Policy (CC011),

The integration of risk management at The City must be supported by a corporate philosophy and culture that fosters risk awareness rather than risk avoidance and encourages everyone to manage risks proactively and communicate openly about risk. Significant risks should be disclosed when reporting to City management, Council or Committee.

In addition, as noted in the 2019 Year-end Principal Corporate Risk Report to the Audit Committee (AC2020-0011, Attachment 3), Audit Committee members and Council members interviewed indicated that improvements could be made to the information provided to Council on risks.

In support of improving risk reporting to Council and Committee, the IRM Program has been working with City Clerks to develop updated guidelines and tools for report writers to support them in completing the risk section of reports. The updates will provide guidance to report writers on how to provide risk information that supports Council to have open and transparent discussions about the risks, risk management strategies and the appropriate level of risk taking associated with the proposed recommendations.

These updated guidelines and tools will be available as part of the roll-out of the new Council and Committee report template that was used to present Administration's Rethink to Thrive Strategy to Council on 2020 June 29 (C2020-0699).