

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

**ISC: UNRESTRICTED
AC2021-0037
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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

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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.

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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

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