

**Chief Financial Officer's Report to  
Audit Committee  
2022 January 20**

**ISC: UNRESTRICTED  
AC2022-0038  
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## **Annual Principal Corporate Risk Report**

### **RECOMMENDATION(S):**

That Audit Committee recommends that Council receive Report AC2022-0038 and the presentation for information and discussion pursuant to Audit Committee Bylaw 33M2020, Section 5 (c).

### **RECOMMENDATION OF THE AUDIT COMMITTEE, 2022 JANUARY 20:**

That Council receive Report AC2022-0038 and the presentation for information 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 report provides information about the top risks facing The City at year-end 2021.
- What does this mean to Calgarians? The City appears to be managing the impacts of the COVID-19 pandemic and is anticipating an increasingly stable economic recovery over time. Three top areas of risk remain: the continuing global pandemic, climate change, and organizational capacity.
- Why does it matter? The City is responding by taking actions required to address the external and internal circumstances associated with these risks.
- The City has adapted service delivery in response to the volatile risk environment, resulting in a decreased level of risk compared to the 2020 year-end risk report.
- A structural change to the primary Principal Corporate Risks (PCRs) to provide focus for the top strategic risks and further support senior administration's risk management practices has been implemented. The next step is the identification of secondary or intermediate risks, to be owned by Directors. Beginning in 2022 Q1, the Integrated Risk Management (IRM) Team will work with leadership in the new departments to further define and understand these risks.
- The Integrated Risk Management Team is responding to the 2021 IRM Audit's five recommendations (AC2021-0730). They are on track to be completed by the agreed upon due dates with full implementation by the end of 2022.
- Risk management advancements at The City align with the Citizen Priority of A Well-Run City, Council's Directive to embrace appropriate levels of risk, and Administration's Rethink to Thrive Strategy (C2020-0699), which includes being innovative, tech-savvy and future focused.
- Background and Previous Council Direction is included as Attachment 1.

## **DISCUSSION**

### **The City's 2021 Year-End Risk Profile**

The Risk Profile in Attachment 2 provides the Audit Committee with an update on the risk environment, an overview of the ratings for the top risks facing The City (i.e. the PCRs), and additional information on these risks. This Profile is presented in an enhanced format that will provide the Audit Committee with a more comprehensive view of The City's top risks and how we are responding to them. Specifically, the Profile has been updated to reflect:

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- The eight PCRs approved by the Executive Leadership Team (ELT) on 2021 December 7. Identification of these risks followed an in-depth review of the most strategic and relevant risks to the organization as outlined in Attachment 5 of the 2021 July 22 Integrated Risk Management update to the Audit Committee (AC2021-1029). The new PCRs reflect changes within the organization and the risk environment in which we operate. The information outlined demonstrates our current understanding of these risks. The 2022 July report to the Audit Committee will update our current synopsis of these risks.
- Enhanced integration of the Calgary trends related to each risk. This list was developed by The City's Resilience team along with subject matter experts from across the organization and is reviewed and updated each year. Previous reports to the Audit Committee either did not include this information or listed it in a separate section. Integrating this information with each PCR provides a more comprehensive view to support collective management of these risks.

### Advancing Risk Management

The activities for advancing risk management at The City include:

- Updating the structure of the Principal Corporate Risks (as shown in Attachment 2); and
- Implementing the recommendations in the IRM Audit.

Re-evaluating and restructuring the Principal Corporate Risks allows leadership the opportunity to determine whether the current Principal Corporate Risks are still the most strategic and relevant risks to the organization. It encourages leading risk management practices, such as being proactive, enhancing risk processes, and providing greater leadership focus.

The IRM Team prioritizes continuous improvement and is completing the IRM Audit's recommendations in the approved timeframes. This includes reviewing and enhancing the IRM program's maturity, risk appetite and tolerance guidelines, and communications. In addition, there are newly implemented enhancements to the biannual corporate risk review process such as a new digital platform to collect risk information, and more communication with key stakeholders on the outputs of our risk analysis.

### STAKEHOLDER ENGAGEMENT AND COMMUNICATION (EXTERNAL)

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

The City is continuing to be more transparent in its communication of risk to support trust and confidence in decision-making. This is consistent with the *Integrated Risk Management Council Policy* (CC011) and the *Transparency and Accountability Council Policy* (CC039). In keeping with openly and transparently communicating about risk, this report is presented publicly. Administration presented an update on The City's Principal Corporate Risks most recently on 2021 July 22 (AC2021-1029).

The City is developing new ways to engage Calgarians on risk, which will be implemented in 2022. Administration will update the Audit Committee on this work in 2022 July.

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### **IMPLICATIONS**

#### **Social**

This report provides an update on The City's exposure to Social Wellbeing Risk. The pandemic, in combination with continued economic challenges, has increased the complexity of, and need for, social supports in Calgary. The City has a shared responsibility with other governments and the community for social outcomes, and this puts pressure on The City's capacity to respond to the diverse needs of Calgarians for preventative social programs.

#### **Environmental**

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

#### **Economic**

This report provides an overview of the current economic situation in which The City operates and our efforts to manage this risk, including: City-specific plans, programs and initiatives to address economic challenges; investment to implement Calgary's Greater Downtown Plan; continued implementation of the Economic Task Force recommendations; and financial support from other orders of government for new spending or tax relief for residents and businesses.

#### **Service and Financial Implications**

No anticipated financial impact.

### **RISK**

Implementing a new structure for managing The City's top risks could pose challenges in light of re-alignment and other initiatives happening throughout the organization. To mitigate these, the IRM team will work in conjunction with the other initiatives and adjust timelines and deliverables as needed. Risk owners continue to actively manage their risks amongst these changes.

Continual improvements to the corporate risk review process, including implementation of the recent IRM Audit recommendations, strengthen risk management practices. These changes allow the organization to be more innovative and make faster and better decisions.

### **ATTACHMENT(S)**

1. Previous Council Direction, Background
2. The City's Risk Profile at Year-End 2021
3. **Presentation**

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Department Circulation

General Manager/Director	Department	Approve/Consult/Inform
Carla Male	Chief Financial Officer's Department	Approve
David Duckworth	City Manager's Office	Approve