

Chief Financial Officer's Report to
Audit Committee
2022 July 21

ISC: UNRESTRICTED
AC2022-0800
Page 1 of 5

Integrated Risk Management Mid-Year Update (Including Information Technology)

RECOMMENDATION(S):

That the Audit Committee recommends that Council:

1. Receive Report AC2022-0800 and the presentation for information and discussion pursuant to Audit Committee Bylaw 33M2020, Section 5 (c); and
2. Keep Attachment 3 confidential pursuant to Sections 24(1)(a) and (b) of the Freedom of Information and Protection of Privacy Act; to be reviewed by 2027 July.

RECOMMENDATION OF THE AUDIT COMMITTEE, 2022 JULY 21:

That Council:

1. Receive Report AC2022-0800 and the presentation for the Corporate Record pursuant to Audit Committee Bylaw 33M2020, Section 5 (c); and
2. Keep Attachment 3 confidential pursuant to Sections 24(1)(a) and (b) of the *Freedom of Information and Protection of Privacy Act*; to be reviewed by 2027 July.

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 mid-year 2022 (Attachment 2) and includes the confidential Information Technology Risk Register (Attachment 3).
- Also included is an Integrated Risk Management Program and Framework update (Attachment 4) and information on risk appetite strategic alignment (Attachment 5) which demonstrate how the Integrated Risk Management (IRM) Program is evolving including the incorporation of Audit Committee member feedback.
- **“What does this mean to Calgarians?”** The top risks facing The City are being managed, including three prominent areas of risk:
 - Corporate Capacity,
 - Supply Chain/Inflation Volatility, and
 - Social Cohesion
- **“Why does it matter?”** Although The City is expecting a stable recovery over time, risk management continues to be critical to prepare for an uncertain future and focuses on enhancing resilience to maintain service delivery to Calgarians. Risks are monitored and managed to avoid undesirable impacts and The City is prepared to capitalize on opportunities as they present themselves.
- The City's Risk Profile summarizes The City's top risks and their interdependencies, to ensure that the risks which could present potential significant impacts to the organization are well managed.
- Frequent conversations about risks and opportunities are an important input to current and future planning and therefore risk management is an integral part of preparing the 2023-2026 Service Plans and Budgets.
- The City's Integrated Risk Management (IRM) Framework provides a strong foundation for the Integrated Risk Management Program.
- Advancements continue to be made on understanding risk appetite to support decision makers in applying risk-based decision-making to solve complex problems.

Integrated Risk Management Mid-Year Update (Including Information Technology)

- Strategic Alignment to Council's Citizen Priorities: A well-run city.
- Background and Previous Council Direction is included as Attachment 1.

DISCUSSION

2022 Mid-Year Risk Profile (Attachment 2)

The Risk Profile in Attachment 2 provides an update on the risk environment and an overview of the ratings for The City's Principal Corporate Risks (PCRs). The profile reflects current understanding of these risks, and the rating indicates the likelihood and impact after application of existing controls and risk response strategies (i.e., the residual risk). For each PCR, trends from the Future Focused Calgary: 2035 Trends list provide a comprehensive view to support the management of these risks.

The 2022 mid-year corporate risk review process shows that The City continues to operate in a volatile environment. The use of a variety of strategies to respond to the situation has allowed The City to be resilient and to support Calgarians, the community and local businesses. The analysis reveals three prominent areas of risk that permeate across the Principal Corporate Risks: *Corporate Capacity, Supply Chain/Inflation Volatility, and Social Cohesion*. These risk areas are being monitored closely for changes and managed in a number of ways including implementing new strategies and initiatives to focus specific actions to reduce risk when necessary, and continuously improving existing risk response strategies to address dynamic changes in the risk environment.

The Risk Profile has been enhanced to incorporate comments from members of the Audit Committee and other stakeholders:

- The Principal Corporate Risks are presented visually on the 5x5 heat map to show the likelihood and impact and the risk interdependencies. This supports understanding of the top risks facing The City.
- Principal Corporate risk rating changes are shown in Attachment 2, page 2, highlighting risks that have changed from the 2021 Year-end Report furthering the understanding of The City's risk environment.
- Information on emerging risks, trends, and issues continues to be included and enhanced. Further information about the potential impact of trends on the top risks is included in Attachment 2, pages 3-20.

Information Technology Risk Register Confidential (Attachment 3)

As The City responds to the corporate direction regarding return to the workplace, remote and hybrid workstyles remain prominent across the organization. As a result, IT has increased its focus on the monitoring, detecting, and mitigating of cyber activity. Managing technology-related risks to protect The City's reputation and maintain the public's trust is critical. Attachment 3 (Confidential) is the Information Technology Risk Register, which includes mitigation techniques for strategic and operational risks integrated into IT methodologies, work plans and budgets.

Integrated Risk Management Program Update (Attachment 4)

The IRM Program and Framework update, including the approach to risk maturity, provides assurance that the organization is continually improving risk management and incorporating the recommendations from the 2021 IRM Audit (AC2021-0730) and feedback from key stakeholders including members of the Audit Committee. The update incorporates specific examples to

Integrated Risk Management Mid-Year Update (Including Information Technology)

demonstrate progress on: Governance & Oversight, Integration with Strategic Direction, Established Practices and Processes, and Review and Continuous Improvement.

Risk Appetite: Strategic Alignment (Attachment 5)

Developing The City's approach to articulating and applying risk appetite supports decision makers throughout the organization. Work continues to be undertaken to update risk appetite material with some of the key future developments being highlighted.

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

As part of the work to develop the 2023-2026 Service Plans and Budgets, The City conducted a public engagement campaign that amongst other items asked Calgarians whether they would like to see The City take more, or less, risk as an organization. Overall, respondents wanted The City to take on risk to try new things and be innovative. The engagement results are available to the public here: https://hdp-ca-prod-app-cqy-engage-files.s3.ca-central-1.amazonaws.com/9416/4885/0344/6.2-Engagement_Report_Back_-_What_we_heard_SPB_2023-2026_FINAL_.pdf

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 and includes how The City continues to develop new ways to engage Calgarians on risk.

IMPLICATIONS

Social

This report provides an update on The City's exposure to Social Wellbeing Risk, one of The City's Principal Corporate Risks. The pandemic, in combination with continued economic challenges, has increased the complexity of, and need for, social supports in Calgary. This risk is complex and corresponds to heightened calls for The City to address social inequalities through new strategies and service delivery. 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, which is connected to the Principal Corporate Risk - Sustainable City, and supports Environmental Resilience and 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 respond to the risks of climate

Integrated Risk Management Mid-Year Update (Including Information Technology)

change, which require both immediate and long-term efforts. Administration must balance the economic, social, and environmental needs of Calgarians by ensuring climate-related risks are mitigated and striving to improve the quality of life.

Economic

This report provides an update on the Financial Sustainability Risk, one of the Principal Corporate Risks supporting Economic Resilience. The following responses are in place and are contributing to economic resilience: 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. The uncertainty related to operating in this economic landscape affects multiple Principle Corporate Risks and is managed through a comprehensive approach to The City's risk exposure.

Service and Financial Implications

No anticipated financial impact

RISK

The 2022 Mid-year review of The City's top risks and their interdependencies ensures that these risks, which could present significant potential strategic impacts to the organization, are well managed.

ATTACHMENT(S)

1. Previous Council Direction, Background
2. The City's Risk Profile at Mid-Year 2022
3. CONFIDENTIAL Information Technology Risk Register
4. Integrated Risk Management Program Update
5. Risk Appetite: Strategic Alignment
6. Presentation

Department Circulation

General Manager/Director	Department	Approve/Consult/Inform
Carla Male, Chief Financial Officer	Chief Financial Officer	Approve
David Duckworth, City Manager	City Manager's Office	Inform
Chris Arthurs, General Manager	Deputy City Manager's Office	Inform
Katie Black, General Manager	Community Services	Inform
Stuart Dalglish, General Manager	Planning & Development	Inform
Jill Floen, City Solicitor	Law & Legislative Services	Inform

**Chief Financial Officer's Report to
Audit Committee
2022 July 21**

**ISC: UNRESTRICTED
AC2022-0800
Page 5 of 5**

Integrated Risk Management Mid-Year Update (Including Information Technology)

Doug Morgan, General Manager	Operational Services	Inform
Michael Thompson, General Manager	Infrastructure and Engineering Services	Inform