Integrated Risk Management Program Update

The IRM Framework is The City's risk management operating model. It is underpinned by a risk aware culture, which fosters risk awareness rather than risk avoidance and encourages all employees at The City to manage risks proactively and communicate openly about risk in accordance with Council's Integrated Risk Management Policy (CC011). The Framework has four pillars: Governance and Oversight; Integration with Strategic Direction; Established Practices and Processes; and Review and Continuous Improvement.

This update is organized by the pillars of the Integrated Risk Management (IRM) Framework and provides examples to demonstrate how risk is being managed at The City. This annual update is one input, along with the IRM Team's self-assessment, the results of the annual IRM Maturity Survey and feedback from relevant stakeholders, used to assess the performance of the IRM Framework which was a recommendation of the IRM Audit conducted by The City Auditor's Office and presented to the Audit Committee on 2021 May 20 (AC2021-0730).

Figure 1: Integrated Risk Management Framework

1. <u>Governance and Oversight</u>

The City demonstrates its commitment to risk management by having governance and oversight policies, administrative guidelines and reporting practices in place. These include:

Council's Integrated Risk Management Policy (CCO11)
Council's Integrated Risk Management Policy defines risk as the effect of uncertainty on the achievement of results. Risk is measured in terms of impact and likelihood and can be positive or negative. The purpose of the policy is to embed a more proactive, corporate-wide, and systematic approach to managing risks that impact The City's ability to achieve its results.

Key components of the IRM Policy include:
- Connection to results – results for the community and for the services that The City provides. Understanding and managing risks directly contributes to these results.
- Connection to measurement – measuring performance and connecting Principal Corporate Risks in an evidence-based way.
- Risk can be positive or negative – risk is often seen as negative, but risk can be positive or negative. When the impact is positive, it is an opportunity. Exploring the upside of risk promotes a risk aware culture that fosters innovation and calculated risk taking.

Integrated Risk Management Administrative Guidelines
Administration's Integrated Risk Management Guidelines provide the 'how' to operationalize and put into action the Integrated Risk Management Council Policy. The Guidelines outline Administration's leadership commitment reflecting the importance of managing risk at The City. The Guidelines support decision making for longer-term strategic and business planning and for day-to-day decisions.

Key components of the IRM Administrative Guidelines include:
- Standardized terminology – using plain language to encourage understanding and the incorporation into day-to-day work.
- Consistent risk practices – standardizing the use of IRM tools and resources to support and advance existing practices.
- Coordinating and collaborating – different risk functions and areas of expertise throughout the organization complement each other and better connecting them improves overall performance.

Principal Corporate Risk Reports
Principal Corporate Risk Reports provide risk information about The City's top risks to Audit Committee and Council twice a year. Recent enhancements to reports include:

- Visualizing materiality of risks – A heat map is used to show the relative placement and ratings of the PCRs and to promote understanding of the interrelations.
- Using evidence to inform decision-making – Analyzing performance measures and data to support understanding of the risk and to assess the effectiveness of risk controls and response strategies and management actions.
- Using trends and critical uncertainties to move ahead in uncertain times – Since the on-set of the COVID-19 pandemic, trends and critical uncertainties have been included. The addition of trends helps to make sense of possible futures and reduces the chance of being caught by surprise.

2. <u>Integration with Strategic Direction</u>

Risk management is aligned with Administration's Rethink to Thrive Strategy and is one component of The City's Performance Management System which also includes service plans and budgets, service review and improvement, performance measurement and accountability, and individual performance.

Administration's Rethink to Thrive Strategy – Risk management practices and processes support Administration's Rethink to Thrive Strategy which emphasizes becoming a future-ready and resilient organization that is adaptable and agile, and able to respond to the evolving needs the city, residents, businesses, and employees (C2022-0472).

Since its inception in 2020, Administration has been operationalizing the Rethink to Thrive Strategy and going forward is focusing attention on leadership and direction and employee engagement. The IRM program is supporting through the following efforts:

- Risk-taking – supporting services to explore appropriate levels of risk-taking for different circumstances by using risk appetite tools.
- Risk Management and Growth Mindset – providing corporate risk workshops and tools to promote a growth mindset regarding risk and how it applies to decision making.

Risk is part of The City's Performance Management System - The linkage of risk to the wider system for organizational performance management positions risk management as a tool for formulating and achieving The City's business objectives. Performance measures are assessed by the Principal Corporate Risk owners and are provided to the Integrated Risk Management Team twice per year as part of the Corporate Risk Review Process. This helps to strengthen risk assessments and to evaluate the effectiveness of risk treatments.

Risk-based decision-making is helping to formulate the next four-year service plans and budgets. Services are identifying risks and opportunities that could impact the achievement of results which informs the development of strategies and actions to manage risks or capitalize on opportunities. In addition, trends and related risks as reflected in Attachment 2 of this report were considered.

3. <u>Established Practices and Processes</u>

Administration has established practices and processes in place to support effective risk management and to operationalize Council's Integrated Risk Management (IRM) Policy and the IRM Administrative Guidelines. Risk practices are built on the International Standard for Risk Management (ISO 31000) to ensure appropriate, systematic, and consistent processes to manage risks and opportunities effectively. Some examples of established practices and processes include:

Common steps to manage risks – we use a consistent approach to manage, monitor and review corporate and service risks by following the Corporate IRM Framework (Figure 2).

Integrated Risk Management Framework and Process
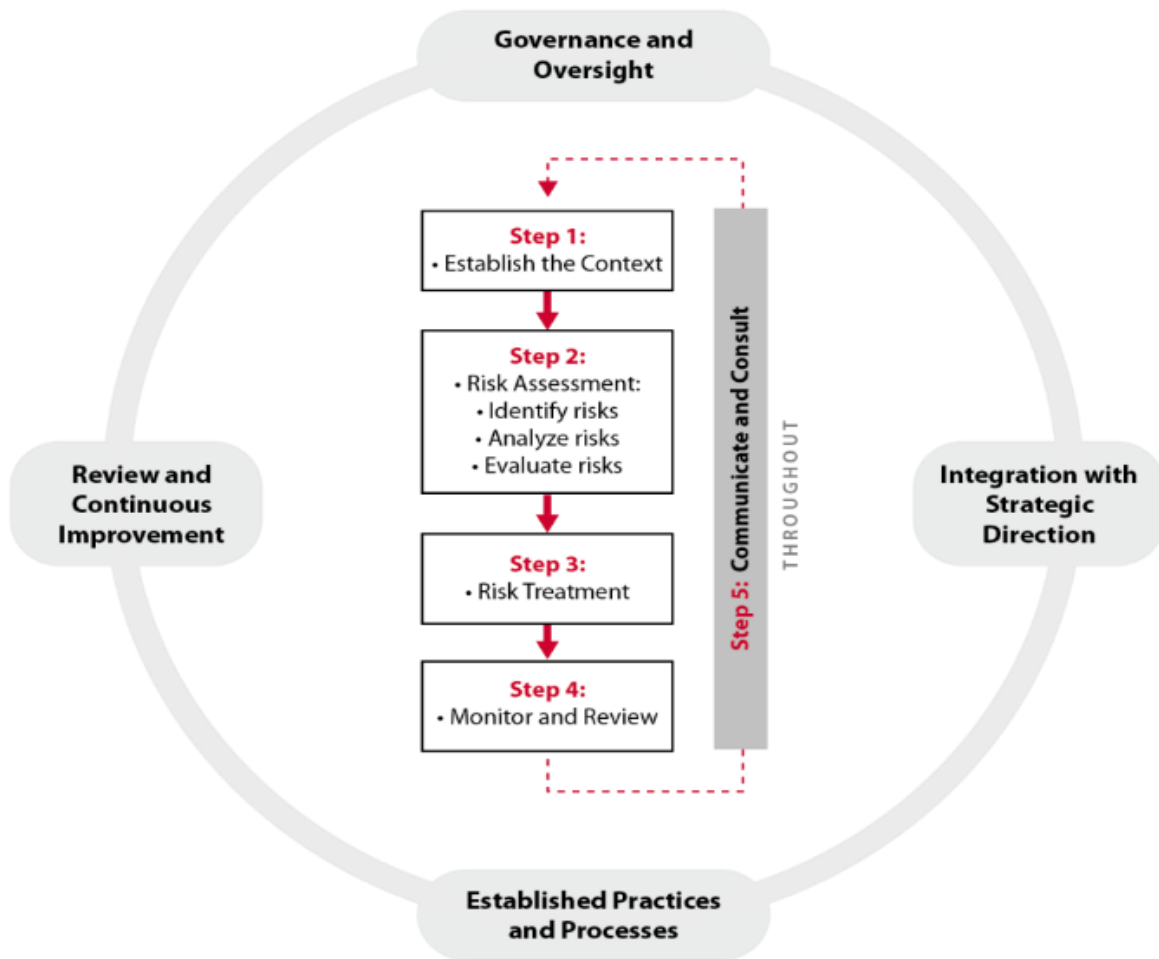
Principal Corporate Risks – we review and report on the most strategic risks that could impact The City's ability to achieve its results. Information is included about how the risk is being managed to promote organizational awareness and alignment to manage risk.

Cross-corporate risk reviews – we conduct at least two cross-corporate risk reviews annually. This includes an analysis of service risk registers completed by services that report to Administration and an evidence-based analysis of Principal Corporate Risks completed by Principal Corporate Risk owners.

Common tools – common tools are used to assess and manage risks. Two of the most commonly used tools include: the 5x5 risk matrix, to evaluate the risk by rating the likelihood and impact; and the risk treatment guide to determine whether a risk can be accepted or whether risk treatments need to be put in place to manage the risk. The five treatments for managing risk are: avoid, accept, mitigate, transfer, and embrace the opportunity.

Risk appetite and tolerance – we have a framework and tools for services to understand the level of risk that the organization is willing to accept to achieve results. The City's risk appetite scale consists of five levels: averse, minimalist, cautious, open, and motivated.

Communications and reporting – we regularly communicate to internal stakeholders and to all employees using a variety of methods including, the IRM intranet site, IRM eLearning course, myCity updates and monthly updates. Risk information is included in all reports from Administration to Council and Committees of Council, with particular focus in The City's Annual Report, and in the Principal Corporate Risk Reports to the Audit Committee.

4. <u>Review and Continuous Improvement</u>

Administration is committed to continuous improvement of the IRM Program and to evolving risk management at The City. Improvement efforts are focused on the following areas:

Measuring performance – The IRM program previously identified seven performance measures to gauge results against program goals. These measures continue to be tracked and show that the quality of the service risk registers is improving, there are increased requests for consulting services provided by the IRM Team, and that stakeholders' assessment of risk maturity at The City is stable. The 2021 IRM Audit recommended improvements to measures to be completed by 2022 December. This recommendation is on track to be completed with an update being provided to the Audit Committee in 2023.

Assessing risk maturity – A new risk maturity assessment tool has been selected from the Risk and Insurance Management Society (RIMS). It aligns with the International Organization for Standardization (ISO) 31000 Risk Management Guideline, which is the basis of The City's IRM Program. The model comprises five pillars and 35 attributes that leading risk management professionals believe are most consequential for success. By the end of 2022, there are plans to operationalize the tool to measure The City against the model. The results will be used to inform planning for 2023-2026 and to customize improvements to achieve the level of risk maturity most beneficial to the organization.

Fostering a risk-aware mindset - Underpinning risk practices and process is the continued development of a risk-aware mindset. As a start, the IRM Policy (CC011) includes the principle that risk management 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. In addition, the IRM Administrative Guidelines specify that the ELT champions a risk-aware culture and that significant risks should be disclosed when reporting to City management, Council or Committee.

Moving forward against uncertainty – Critical uncertainties and trends are incorporated into The City's Risk Profile to assist us to move forward against uncertainty. The onset of the pandemic reinforced the value of looking ahead to make sense of trends that could impact The City of Calgary 10 years out. This is another tool to support risk-based decision making.

Coordinating and collaborating - There are different risk functions and areas of expertise throughout our organization. We are improving our internal relationships between risk functions to complement each other and to improve our overall performance.