

2023 Mid-year Principal Corporate Risk Report with Information Technology

RECOMMENDATION:

Review By: 2028 July 19

That the Audit Committee recommends that Council:

1. Receive this presentation for information and the Corporate Record pursuant to Audit Committee Bylaw 33M2020, Section 5(c)(ii).
2. Direct that Attachment 3 remain confidential pursuant to Sections 24(1)(a) and (b) of the *Freedom of Information and Protection of Privacy Act*, to be reviewed by 2028 July 19.

RECOMMENDATION OF THE AUDIT COMMITTEE, 2023 JULY 19:

That Council:

1. Receive this presentation for information and the Corporate Record pursuant to Audit Committee Bylaw 33M2020, Section 5(c)(ii); and
2. Direct that Attachment 3 and the Closed Meeting discussions be held confidential pursuant to Section 24 (*Advice from Officials*) of the *Freedom of Information and Protection of Privacy Act*, to be reviewed by 2028 July 19.

HIGHLIGHTS

- The City's risk environment has experienced a slight increase in the first half of 2023, as pressures impacting The City led to an increase in the ratings and trends of the Principal Corporate Risks. The four areas of pressure are: employee and public safety, governance and compliance, corporate capacity, and climate. The City is responding by taking actions required to address these pressures and manage related risks.
- **What does this mean to Calgarians?** The City continues to focus on delivering services to Calgarians, while monitoring and managing risks to avoid undesirable impacts and capitalize on opportunities as they present themselves.
- **Why does this matter?** 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 Council with The City's Risk Profile at 2023 Mid-Year (Attachment 2) and includes the confidential Information Technology Risk Register (Attachment 3).
- As part of the Employee Experience and Technological Disruption risk, technological disruption is rated extensive and continues to be the highest rated Principal Corporate Risk.
- Information Technology (IT) is seeing a significant increase in more sophisticated cyber activity directed towards The City of Calgary network which increases the overall level of risk. To detect and mitigate potential risks, the IT Management team reviews the risk register quarterly and constantly refines its efforts to ensure that risks are kept at an acceptable level.

2023 Mid-year Principal Corporate Risk Report with Information Technology

- To advance the organization to the desired risk maturity level of Tier 4, the Enterprise Risk Management team has moved forward on several initiatives including developing and embedding risk governance, identifying risk appetite and tolerance, integrating risk management by supporting leadership in promoting a strong risk culture, and improving risk reporting.
- Background and Previous Council Direction is included as Attachment 1.

DISCUSSION

The City's Risk Profile at Mid-Year 2023 (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 our current understanding of these risks, and the rating reflects the likelihood and impact after the application of existing controls and risk response strategies (the residual risk).

Although most of the PCRs have maintained the same risk rating since our year-end report, there have been changes in two of them. The Legal Risk has increased in impact from moderate to significant due to an increase in the volume, velocity and complexity of legal issues facing The City. Additionally, the Social Wellbeing risk has increased in likelihood from possible to likely due to rising prices of basic needs, increased social disorder, and an increased number of calls to the Distress Centre. This change in Social Wellbeing risk reverses the decrease in its likelihood during the last reporting period.

Four prominent pressures were identified through the bottom-up and top-down analysis of The City's risks. The pressures are employee and public safety, governance and compliance, corporate capacity, and climate.

The PCR Dashboard on page three of Attachment 2 summarizes the status of the Principal Corporate Risks. It includes information on the current residual risk rating, progress of risk response, risk trend and risk appetite/tolerance.

Information Technology Risk Register (Attachment 3 – Confidential)

The increase in cyber activity means more focus on monitoring, detection and mitigation is required. Managing technology-related risks to protect The City's infrastructure assets, data and reputation and maintaining the public's trust is critical. Attachment 3 contains the Information Technology Risk Register (Confidential) which includes mitigation techniques for strategic and operational risks integrated into IT methodologies, work plans and budgets.

As The City responds to the return to the corporate workplace plan, the presence of a remote and hybrid workforce is still prominent across the organization creating the need for monitoring and education related to the protection of City data and assets. There are many new advances in technology, such as Artificial Intelligence, which will present unique opportunities but also new risks for The Corporation.

Enterprise Risk Management Program Update (Attachment 4)

Attachment 4 provides an update on the Enterprise Risk Management (ERM) program. During this reporting period all the recommendations from the ERM program audit have been completed and require no further actions. The ERM team has focused on advancing risk

2023 Mid-year Principal Corporate Risk Report with Information Technology

maturity to support the organization in moving to Tier 4 and will return to the ELT with a project plan and corporate-wide resourcing plan no later than end of 2024 Q1 as directed by the ELT (ELT2022-0962). To have the biggest impact on progressing our maturity, the ERM team has concentrated on developing and embedding risk governance, improving reporting, defining risk appetite and tolerance, and integrating ERM into services' operational decision-making processes.

ENGAGEMENT AND COMMUNICATION

- | | |
|--|---|
| <input type="checkbox"/> Public engagement was undertaken | <input type="checkbox"/> Dialogue with interested parties was undertaken |
| <input type="checkbox"/> Public/interested parties were informed | <input checked="" type="checkbox"/> Public communication or engagement was not required |

We continue to seek opportunities to receive Calgarians' input by participating in various engagements.

IMPLICATIONS

Social

The complexity and magnitude of Calgarians' social needs continues to increase and put pressure on The City's and our civic partners. To respond, The City continues to analyze wellbeing and safety risks and issues; develop, implement and invest in strategies that focus on prevention and improving social conditions and provide services and frontline response that supports social wellbeing.

Environmental

Climate and environmental concerns continue to be a top pressure facing The City. There continues to be an increase in climate-related hazards such as extreme weather, wildfires and droughts. Council's Climate Emergency and the Climate Strategy – Pathways to 2050 ensures that The City continues to focus efforts and resources to improve the integration of climate adaptation.

Economic

Calgary's economic performance is projected to be stable and resilient in 2023, but the current macroeconomic conditions as well as our reliance on provincial and federal government funding sources continue to pose challenges to The City's financial sustainability. However, revenues from property taxes remain stable with the approval of the 2023-2026 property tax increases in line with population growth and inflation.

Service and Financial Implications

No anticipated financial impact

\$0

**Corporate Planning and Financial Services Report to
Audit Committee
2023 July 19**

**ISC: UNRESTRICTED
AC2023-0683
Page 4 of 4**

2023 Mid-year Principal Corporate Risk Report with Information Technology

RISK

The Mid-year Principal Corporate Risk report provides the Audit Committee with an overview of the top-down/bottom-up analysis and assessment of The City's current risk environment and of the strategies and work being done to manage it. The Principal Corporate Risks represent the most strategic risks facing the organization. The information provided in this report provides a window into the efforts being made to ensure that The City manages risks well so that we are able to embrace opportunities when presented and minimize negative uncertainties that may impede the achievement of desired results.

ATTACHMENTS

1. Previous Council Direction, Background
2. The City's Risk Profile at Mid-Year 2023
3. Information Technology Risk Register at Mid-Year 2023 (CONFIDENTIAL)
4. Enterprise Risk Management Program Update
5. Presentation - Principal Corporate Risk Mid-Year Update Including Information Technology

Department Circulation

General Manager/Director	Department / Business Unit	Approve/Consult/Inform
Les Tochor, A/Chief Financial Officer	Corporate Planning and Financial Services	Approve
Chris Stewart, Director	Corporate Planning and Performance	Approve
David Duckworth, City Manager	City Manager's Office	Inform
Chris Arthurs, General Manager	People, Innovation and Collaboration Services	Inform
Katie Black, General Manager	Community Services	Inform
Stuart Dalgleish, General Manager	Planning & Development	Inform
Jill Floen, City Solicitor	Law & Legislative Services	Inform
Doug Morgan, General Manager	Operational Services	Inform
Michael Thompson, General Manager	Infrastructure and Engineering Services	Inform