Integrated Risk Management Model Update

Executive Summary

The information that follows is intended to provide the Audit Committee with an update on the Integrated Risk Management (IRM) Model consistent with the Audit Committee Terms of Reference. The City's IRM System consists of a Model, Framework and Council Policy which are underpinned by acceptable risk management practices throughout the organization.

This attachment utilizes the Canadian Institute of Chartered Accountants (CICA) guide on "20 Questions Directors Should Ask About Risk." The CICA questions are not intended to be a precise checklist, but rather provide a practical approach to review the management practices and processes that are being used by Administration to comply with Council's Integrated Risk Management (IRM) Policy (CC011).

This focused approach outlines The City's processes and practices in order to provide Council assurance that The City has the appropriate Model and Framework in place to manage its risks and opportunities effectively. The first 15 questions predominately explore the actions of Administration to support the Audit Committee's oversight of risk management. For each of these 15 questions, the following information is provided:

1. An overview of The City's established practices and processes.
2. Activities and progress since the last Integrated Risk Management Model Update report was received by the Audit Committee on 2014 May 15 (AC2014-0143).
3. Next steps to utilize and improve IRM by building upon the established practices and processes including plans to address the recommendations of the 2014 IRM Audit (AC2014-0295).

The remaining five (5) questions are intended as an assessment of 'Board' effectiveness. For these questions, related information has been provided rather than an assessment. Further, it has been assumed that Council is the equivalent of the 'Board,' with the Audit Committee having a specific role in assisting Council with this oversight function as per the Audit Committee Terms of Reference.

As mentioned, the 20 CICA questions provide a practical approach to review management practices and processes. In several cases, questions are closely related and therefore responses are similar across these questions. Analysis across the 20 questions shows that there are four themes that are highlighted extensively:

Governance and Oversight	**Established Practices and Processes**
Integration of IRM with The City's Strategic Direction	**Review and Continuous Improvement**
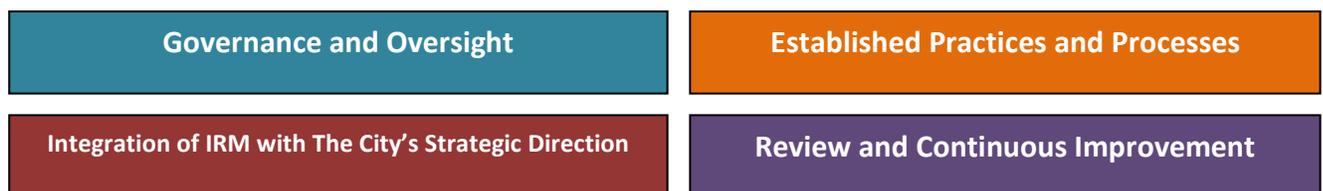
This executive summary provides an overview of these themes with additional details being shown under the 20 questions.

Governance and Oversight

There are a number of ways that Council and Administration demonstrate a commitment to risk management by having governance and oversight policies, practices and processes in place. These include:

1. **Council Policy** - Council's IRM Policy (CC011) is purposed to embed a proactive, corporate-wide and systematic approach to manage risks that impact The City of Calgary's ability to achieve its objectives. The Policy outlines the Principles of Integrated Risk Management, Risk Tolerance, Managing Risks, Reporting to Council and Exceptions.

2. **Council and Audit Committee Governance** - The Audit Committee, on behalf of Council, is mandated to oversee the process of the City's Integrated Risk Management System (bylaw number 48M2012). This oversight includes receiving reports from Administration at least twice per year (one on The City's principal risks and one on The City's IRM Model) and reviewing on an annual basis reports on the adequacy of insurance coverage; legal compliance; Information Technology's risk management and other areas as determined by the Committee.

3. **Administration Oversight** – Administration's commitment to Integrated Risk Management is stipulated as a strategic priority within its Leadership Strategic Plan. The Administrative Leadership Team (ALT) formally discusses business risks at least twice per year.

Integration of IRM with The City's Strategic Direction

Integrated Risk Management is designed to be woven into existing business processes and to inform The City's strategic direction. This is demonstrated in a number of ways:

1. **Leadership Strategic Plan** - In 2014 September, Council approved the Leadership Strategic Plan (LSP) which includes the implementation of a performance management system. IRM is one element of this system. The City's corporate principal risks that were provided to the Audit Committee on 2015 February 19 were organized around the five directives of the LSP.

2. **Business Planning and Budgeting** - The City has defined "risk" as: *an event that impacts the achievement of objectives and deals with the uncertainty of events.* Through proactively identifying and assessing risks, this intrinsically neutral definition provides the parameters for The City to manage down-side risk while seizing opportunities; ensuring it is taking "the right amount" of risk. Using this definition as guidance, The City has successfully integrated risk management into the strategic and business planning processes. Within business planning cycles, regular status updates on department business plans and budgets help to manage risk by ensuring that Council and senior managers are aware of emerging issues, challenges and opportunities and can react accordingly. Department risk registers are updated on concert with the business planning cycle. These risk registers and the risks and mitigation measures identified for the LSP will form the basis of a strategic risk discussion by the Administrative Leadership Team in the fall of 2015 which will then form the basis of reporting principal corporate risks to the Audit Committee on 2015 December 10.

Established Practices and Processes

The City has many established practices and process which support effective risk management. The City's IRM Model is constructed from the foundations of the ISO 31000 Standard, which includes a systematic process for identifying, assessing, managing, communicating and monitoring risks.

Strategic, operational, financial, compliance and social risks are identified through a variety of mediums and practices. These risks are assessed using a common risk assessment tool (risk matrix); and managed using a portfolio approach that optimizes trade-offs between risk and return across all business activities.

The City has a variety of mechanisms to promote effective risk management practices including; an Intranet site available to all staff, an IRM City-Specific course, and IRM facilitated discussions and consultations. Practices and processes are also in place regarding the reporting of risk. Council is informed of principal risks in reports from Administration to Council and Committees of Council, in The City's Annual Report, and in the annual City Manager's Risk Report to the Audit Committee.

Review and Continuous Improvement

Improving upon The City's established IRM practices and processes supports ongoing management of risk. Further, organizational learning and continuous improvement is an important component of managing risk.

In the 2014 April 4 Audit on Integrated Risk Management (AC2014-0295), opportunities for improving were identified. The Audit found that "current IRM practices generally met the principles of the IRM Policy adopted by Council in 2004". Administration and The City Auditor's Office independently conducted maturity assessments against industry best practices. The City's application of its IRM Framework and Model was assessed as "low-enhanced" level of maturity, which represents a combination of maturing and basic risk management practices across the organization.

The Audit findings identified opportunities to further improve IRM by:

- Enhancing communication on The City's existing principal risks and reporting of risk treatment information.
- Improving identification, assessment, and consolidation of significant risks.
- Increasing commitment and support for IRM.

Administration agrees with the recommendations of the Audit and has developed and implemented a comprehensive action plan to move forward. The structure and format of this report highlights Administration's dedication to continuous improvement of IRM.

Canadian Institute of Chartered Accountants (CICA)'s 20 Questions Directors Should Ask About Risk

> 1. **How do we integrate risk management with the corporation's strategic direction and plan?**

What are The City's Established Practices?

The principles of Council's IRM Policy (CC011) emphasize:

- That better decisions are made when supported by a systematic approach to risk management.
- The importance of integrating risk management into both long term strategic planning and day-to-day management.
- The need for consistent application of risk management in the development and implementation of policies, programs, and plans.
- The importance of a culture that encourages proactive management of risk and open communication about risk including disclosure of risk when reporting.

A process for identifying and considering risks related to the achievement of business plans and budgets has been in place for some time. As part of the business planning and budgeting process, departments employ the IRM tools to develop department risk registers. These risk registers demonstrate a deliberate process for consideration of risks which may impede the achievement of The City's objectives. Further, alongside the annual business planning and budgeting process, departments review the risks that were identified, and consider any new risks to achieving business plan strategies and actions that have emerged.

What has happened since 2014 May?

In 2014 November, Council approved The City's Action Plan for 2015-2018 (C2014-0863). Integrated risk management practices were a key component of preparing the proposed business plans and budgets. First, departments used information gathered from the corporate environmental scan including trends on community well-being, customer service, disasters & business continuity, economics, finance, growth & mobility, and the workforce to identify broad areas of risk. Second, as departments defined their strategies and actions, risk events that could affect their achievement were identified along with mitigation measures and management accountability. Third, information from department risk registers was used as an input into a strategic risk discussion with the Administrative Leadership Team (ALT) as the proposed business plans and budgets were being completed.

What is happening next?

Departmental risk registers will be updated and, along with the risks and mitigation measures identified for the LSP, will form the basis of a strategic risk discussion by the Administrative Leadership Team in the fall of 2015. Following this, an update on The City's Principal Corporate Risks is scheduled to be provided to the Audit Committee on 2015 December 10. This annual cycle and alignment with the business planning and budgeting process ensures that the principles of the IRM Policy are reflected in The City's strategic plan and direction.

2. What are our principal business risks?

What are The City's Established Practices?

The City of Calgary defines a principal risk as one that has either a medium to high likelihood of occurrence, or a medium to high impact to the achievement of corporate objectives, or both. There are primarily three ways that Council is informed of principal risks:

- In reports from Administration to Council and Committees of Council.
- In The City's Annual Report.
- In the annual City Manager's Risk Report provided to the Audit Committee.

What has happened since 2014 May?

The practice of informing Council of risks in Council/Committees of Council reports and in The City's Annual Report has continued. Further, on 2015 February 19, the Audit Committee received The City Manager's Annual Risk Report for information (AC2015-0191). The City Manager's Annual Risk Report was organized according to the five directives of the Leadership Strategic Plan (LSP). The process to develop the City Manager's Annual Risk Report introduced a number of enhancements in 2015. The first was that following the approval of the LSP, the ALT identified the risks to the achievement of the Plan along with related mitigation measures. As noted under question 1, each department had also identified risks to achieving their business plan goals as part of the development of business plans and budgets. Therefore, the City Manager's Annual Risk Report reported on the principal and strategic risks associated with the achievement of both Council Priorities (through business plans and budgets) and the LSP. The second enhancement was that lead mitigation responsibility was identified. The third enhancement was that subject matter experts had greater involvement in the process.

What is happening next?

In addition to continuing The City's established practices, opportunities to enhance the consistent identification, assessment, and communication of principal risks to Council will be explored. This will include continuing to build on recent improvements and enhancing The City Manager's Annual Risk Report which is scheduled to be presented at the 2015 December 10 Audit Committee meeting.

3. Are we taking the right amount of risk?

What are The City's Established Practices?

Through Council's IRM Policy (CC011), Council has established a foundation for risk tolerance. Risk tolerance is outlined in the policy as being the "…level of risk acceptable to Council and senior management" and that "all employees will operate within approved risk tolerance levels." The "approved" level of risk tolerance is generally defined as complying with all legislated requirements, City of Calgary values, all applicable policies, bylaws, regulations and professional standards.

Establishing risk tolerance on major strategic initiatives and projects that do not have easily quantified or measurable risks (e.g. how much room exists to balance innovation with varying degrees of success) is

commonly based on the circumstances related to the activity under consideration at that time. As such, Administration continuously seeks ongoing guidance from Council and senior management in understanding what level of tolerance is acceptable – especially for projects and initiatives that may require a level of innovation and trial to realize increased value for The City.

What has happened since 2014 May?

The new City Manager has identified the continued need to appropriately manage risk as one of the important areas of focus for The City going forward. This was emphasized in the 2014 September presentation to Council on the Leadership Strategic Plan (LSP).

The Water Services Zero-Based Review (ZBR) identified recommendations to optimise efficiency and effectiveness through a "risk-based maintenance" approach that will position Water services to "maintain assets effectively and the most optimum frequency, delivering both financial efficiencies and best in class management. A risk-based maintenance approach is targeting maintenance resources to assets where there is a risk to customers and the triple bottom line – social, environmental and economic risks" (PFC2015-0230).

What is happening next?

Going forward, Administration will continue to seek guidance from Council in understanding what level of tolerance is acceptable as it relates to major strategic initiatives and projects. Further, engagement will occur with senior management and key stakeholders within Administration to discuss risk appetite and a risk appetite framework. This framework would support decision-making as it relates to the appropriate amount of risk taken by The City.

---

4. **How effective is our process for identifying, assessing and managing business risks?**

What are The City's Established Practices?

The IRM Model and Framework (as shown in Attachment 2) provides step-by-step guidance for identifying, assessing and managing risks that could impact The City's ability to achieve its goals.

According to the 2014 April 4 Audit on Integrated Risk Management (AC2014-0295), "current IRM practices generally met the principles of the IRM Policy adopted by Council in 2004". Furthermore, Administration has previously conducted maturity assessments of The City's IRM Model against industry best practices, such as the Canadian Standards Association (CSA/CAN ISO-31000 standards). Against these standards, the processes related to The City's IRM model correspond to a level of risk management maturity which represents a combination of maturing and basic risk management practices across the organization as illustrated below.

Risk Management Maturity Continuum		
Basic	Enhanced	Excellence
Fledgling risk management practices	Maturing risk management practices	ISO 31000 attributes of enhanced risk management
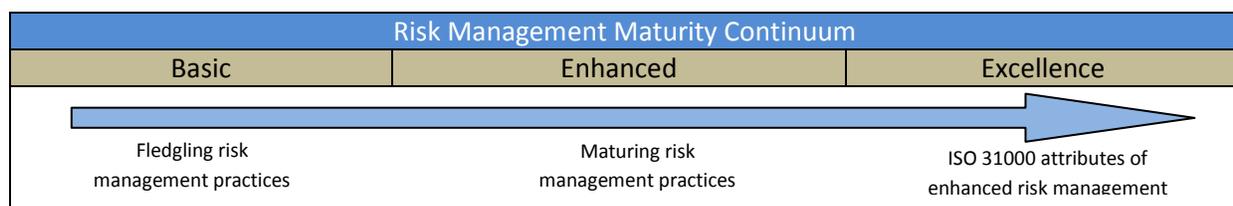
What has happened since 2014 May?

The findings of the 2014 Audit of IRM supported Administration's assessment of the level of model maturity. The Audit findings also identified opportunities to further improve IRM by:

- Enhancing communication on The City's existing principal risks and reporting of risk treatment information.
- Improving identification, assessment, and consolidation of significant risks.
- Increasing commitment and support for IRM.

The specific recommendations are:

1. In order to broaden the communication and access by risk owners and internal stakeholders to principal corporate risks identified by ALT, IRM* should formalize guidelines to include the mechanics of providing this information on a regular basis.
2. IRM* should establish an enhanced process for risk owners to provide more frequent and comprehensive reporting on the status of principal corporate risks and risk management strategies. IRM* should update guidelines to include procedures for risk owners to report risk management information to ALT on a regular basis for monitoring and guidance purposes.
3. To enhance risk identification and assessment, and to better integrate risk management across the organization, IRM* should develop strategies, such as the creation of a periodic forum to engage all departments in cross-departmental discussions of Departmental Risk Registers.
4. IRM* should clarify and articulate the program goals and establish reasonable performance indicators or measures for the program.

   * For the purpose of the recommendations shown above, IRM is referring to the IRM function that is currently within Corporate Initiatives in the Chief Financial Officer's Department.

Administration agrees with the recommendations of the Audit and will continue to enhance processes to move forward on the risk management maturity continuum. Some of the improvements include:

- Principal corporate risks, including lead mitigation responsibility and mitigation measures have been provided to the Audit Committee (AC2015-0191) and sent to the Senior Management Team and other selected staff for information purposes, for use in managing risks, and to support efforts to review and update departmental risk registers.
- Risk owners (or subject matter experts) have had greater involvement in the development of the corporate risk register.
- The Administrative Leadership Team (ALT) has had greater involvement in identifying the principal corporate risks including identifying risks as they relate to the Leadership Strategic Plan (approved by Council on 2014 September 15).
- Performance measures and actions for Integrated Risk Management (IRM) were approved by Council as part of the 2015-2018 business plans and budgets.

What is happening next?

Administration will continue to enhance the process for identifying, assessing and managing risk. This includes implementing the Audit recommendations. Examples of planned actions are:

- Continuing the increased frequency of meetings with ALT (i.e. one to identify risks and mitigation measures and one to review the status of the principal corporate risks and mitigation measures for monitoring and guidance purposes).

- Continuing regular discussions (e.g. twice per year) within departments about The City's principal corporate risks to gain a collective understanding of the risks and their implications for the department.
- Furthering information exchange by establishing a network of key stakeholders and subject matter experts within The City that would share and discuss best practices related to risk management and current risk issues.
- Developing an enhanced method for monitoring risks and mitigation measures.
- Developing an annual collection tool (e.g. survey) for users of risk information to measure both the level of usage and effectiveness of the IRM program for continuous improvement of risk management.

These actions support continuous improvement of IRM to identify, assess and manage risk.

---

5. Do people in this organization have a common understanding of the term "risk"?

What are The City's Established Practices?

Council's IRM Policy provides a City-specific definition of risk as "An event that impacts the achievement of objectives and deals with the uncertainty of events."

To further the common understanding of the term "risk", there are a number of learning opportunities available to City employees including:

- City-specific workshops as part of The City's Learning for Municipal Excellence Program.
- Workshops on writing reports to Council that includes writing the section on risk.
- Facilitated risk discussions with management teams, project teams, and other groups as requested.

Further, an IRM Intranet site is accessible as a resource for employees. The site contains a comprehensive set of risk tools and information that supports understanding of IRM including a common understanding of risk at The City.

What has happened since 2014 May?

Workshops and facilitated discussions have continued over the past year. In 2014, 134 individuals completed workshops and 34 facilitated discussions occurred that involved a total of 215 participants. Information continues to be available to all employees through the Intranet site.

Further, a 'how-to guide' on Integrated Risk Management was developed for use by management and business planners for use in identifying risks to achieving their business plans (for more information on this, see question 1). This guide provided information on the definition of risk to help further the understanding of risk within the organization.

What is happening next?

In addition to continuing the items listed above, a number of new initiatives will take place in the second half of 2015 and into 2016 that will expand the awareness of Integrated Risk Management and the understanding of the definition of the term 'risk'. These initiatives include:

- Establishing a network of key stakeholders and subject matter experts in the organization that would share and discuss best practices related to risk management and current risk issues.
- Developing an annual collection tool (e.g. survey) for users of risk information to measure both the level of usage and effectiveness of the IRM program for continuous improvement of risk management.

In addition, work is ongoing on a performance system (see further information under question 9). As integration between elements of the system is explored, there will be additional opportunities to raise awareness of IRM including a common understanding of "risk". These initiatives in addition to existing practices will support a common understanding of the term "risk" and further supports the principles of the IRM Policy.

> **6. How do we ensure that risk management is an integral part of the planning and day-to-day operations of individual business units?**

What are The City's Established Practices?

According to Council's IRM Policy (CC011), the City Manager is responsible for risk management throughout the organization and for ensuring compliance with the Policy. The primary focus to achieve this compliance is promoting and supporting a proactive, integrated and corporate-wide approach to considering and communicating the uncertainty related to the achievement of The City's strategic objectives. The expectation of integrating IRM into day-to-day operations is established within the principles of Council's IRM Policy and accountability rests with senior management.

As mentioned in question 1, IRM is an integral part of business planning and budgeting. Department risk registers are typically developed using additional analysis and background work that is maintained within each department. For example, business units within a department may develop a risk register which would then be used to inform the department risk register.

Other management practices with respect to risk continue to evolve and build upon the practices already in place. For example, the Corporate Project Management Framework and Corporate Asset Management Program has a number of materials and tools that support the identification, assessment, and management of project and asset risks. These are in alignment with the IRM Policy, Model and Framework and are available through The City's Intranet.

What has happened since 2014 May?

As mentioned in question 1, in 2014 November, Council approved The City's Action Plan for 2015-2018 (C2014-0863). Integrated risk management practices were a key component of preparing the proposed business plans and budgets.

What is happening next?

As mentioned under previous questions, a network of key stakeholders and subject matter experts will be established that will share and discuss best practices related to risk management and current risk issues. This will support both a common understanding of IRM, but will also help to establish a 'road map' of risk management practices to support the integration of risk management into day-to-day operations.

7. How do we ensure that the Board's expectations for risk management are communicated to and followed by the employees in the company?

What are The City's Established Practices?

As mentioned in question 5, an IRM Intranet site is accessible as a resource for employees. The site contains a comprehensive set of risk tools and information that prepares employees to understand, manage and communicate risks within their area of responsibility. Emphasis has been placed on leveraging the City's Intranet to share information to allow for ease of updating information and for ease and cost effectives of production and distribution of materials. Through workshops (as mentioned in question 5), the importance of risk management is communicated to participants with information being provided about their roles in identifying, assessing and managing risk.

As part of The City's new employee orientation (COCO) materials, supervisors are asked to provide information to new employees on the employee Code of Conduct and the policies that comprise the Code. There is also a link on the COCO Intranet site to the employee Code of Conduct and where to find other policies such as the Integrated Risk Management Policy.

What has happened since 2014 May?

In addition to continuing established practices, principal corporate risks, including lead mitigation responsibility and mitigation measures were provided to the Audit Committee (AC2015-0191). Further, they were sent to the Senior Management Team and other selected staff for information purposes, for use in managing risks, and to support efforts to review and update departmental risk registers.

What is happening next?

Current practices will be continued and enhanced to ensure that all of the recommendations of the 2014 Audit are completed. Further, as the linkages between elements of The City's performance system (see question 9) are explored, so too will opportunities to greater enhance communication.

8. How do we ensure that our executives and employees act in the best interests of this organization?

What are The City's Established Practices?

The City of Calgary's Employee Code of Conduct addresses a broad range of employee conduct issues that may create risk for The City. The nine policies that support The City's Code of Conduct are:

- Workplace Violence Policy
- Acceptable Use of City Technology Resources Policy
- Conflict of Interest Policy
- Environmental Policy
- Freedom of Information and Protection of Privacy (FOIP)
- Public Statement and Media Relations Policy
- Respectful Workplace Policy

- Substance Use Policy
- Occupational Health and Safety Policy

The Code of Conduct supports a strong culture of respectful, ethical and safe behaviour in the workplace. Employees are responsible for adhering to all aspects of the policies referenced in the Code. Supervisors are responsible for ensuring that employees are aware of and understand all City of Calgary policies including the Code of Conduct. Administration prepares a report on an annual basis for Audit Committee highlighting The City's activities in continuing to increase the awareness of, and educate employees about, The City's Code of Conduct

What has happened since 2014 May?

In June 2014, the Workplace Violence Policy became part of the employee Code of Conduct to help The City adopt a proactive approach to violence prevention in the workplace, and outline the expectations of employees at all levels in reporting and responding to violent incidents.

What is happening next?

According to the Employee Code of Conduct Annual Report (AC2015-0093) some of the 2015 actions being undertaken include:

- A review of The City's mission and behaviours and ensure alignment with the values of individual responsibility and collective accountability as highlighted in the LSP.
- A review of the Conflict of Interest Policy that forms part of the Code of Conduct.
- A launch of an educational and awareness initiative to all employees and supervisors designed to foster a safe and respectful workplace and strengthen their knowledge of roles and responsibilities related to the Code of Conduct.

These actions will help to ensure that senior management and employees act in the best interests of The City.

9. **How is risk management coordinated across the organization?**

What are The City's Established Practices?

IRM is designed to be woven into existing business processes at The City of Calgary. Resources within Corporate Initiatives are responsible for developing the processes and overseeing the systems that promote a coordinated approach to the consideration of risk management across the organization. This responsibility is achieved by leading the development and implementation of a comprehensive set of risk management procedures, programs and communication strategies to help ensure risk management becomes a regular part of day to day operations.

The IRM Model and Framework (Attachment 2) provides a consistent, systematic process for identifying, considering, managing, recording and reporting of risk across the organization.

What has happened since 2014 May?
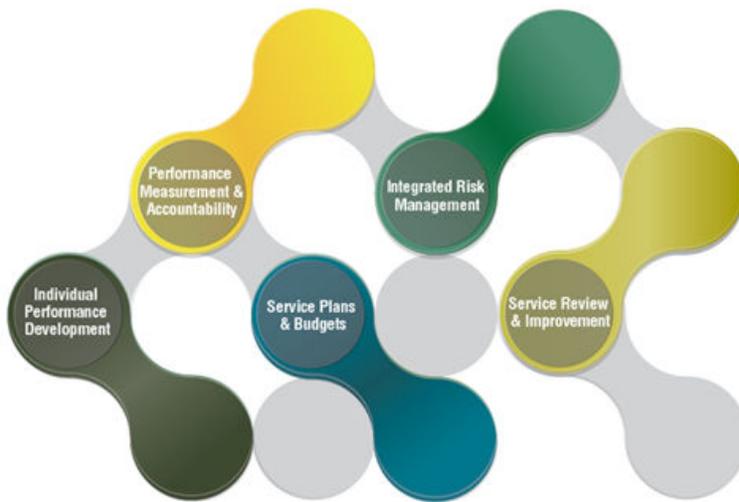
On 2014 September 15, Council approved the Leadership Strategic Plan (LSP) which includes the implementation of a performance management system. IRM is one element of this performance system which is shown above. Work has begun on identifying and strengthening the linkages between elements of the system.

What is happening next?

As the performance system is further implemented, opportunities to identify and strengthen the linkages between IRM and the other elements of the system will be enhanced. This integration will support better decision making, continued alignment with business planning and budgeting, and consistent application of risk management. Building on the linkages between elements of the system will help ensure that IRM does not stand on its own but is integrated and will help strengthen alignment with organizational goals and strategies.

There are a number of areas at The City that are involved in risk management with specific areas of expertise. Therefore, in addition to alignment with other processes as identified above, a network of key stakeholders and subject matter experts will be established that would share and discuss best practices related to risk management and current risk issues. This will support coordination of risk management across the organization.

10. **How do we ensure that the organization is performing according to the business plan and within appropriate risk tolerance limits?**

What are The City's Established Practices?

Within business planning cycles, regular status updates on department business plans and budgets help to manage risks by ensuring that Council and senior managers are aware of emerging issues and challenges, and can react accordingly. Twice per year (mid-year and year-end) Council receives comprehensive accountability reports on the business plans and budgets. These reports illustrate the line of sight between short-term performance and long-term achievement of goals.

As mentioned under question 1, IRM is aligned with the business planning and budgeting process. Departments review their risk registers and make adjustments as needed. This information is then provided to Corporate Initiatives for input into a fall strategic risk discussion with ALT.

What has happened since 2014 May?

In accordance with established practices, the 2014 Mid-year and Year-end Accountability Reports were provided to Council.

What is happening next?

Departmental risk registers will be updated and, along with the risks and mitigation measures identified for the LSP will form the basis of a strategic risk discussion by the Administrative Leadership Team in the fall of 2015 which will then form the basis of reporting principal corporate risks to the Audit Committee on 2015 December 10. This process supports the ongoing monitoring and mitigating of risks.

11. **How do we monitor and evaluate changes in the external environment and their impact on the organization's strategy and risk management practices?**

What are The City's Established Practices?

The ALT regularly evaluates changes in the external environment and considers their impact on The City's strategy and/or risk management practices. In addition, as part of the business planning process, The City monitors changes in the external environment and uses this as one input into developing and adjusting business plans and budgets.

What has happened since 2014 May?

In 2014 November, Council approved The City's Action Plan for 2015-2018 (C2014-0863). Integrated risk management practices were a key component of preparing the proposed business plans and budgets. As part of the process, departments used information gathered from the corporate environmental scan including trends on community well-being, customer service, disasters & business continuity, economics, finance, growth & mobility, and the workforce to identify broad areas of risk.

What is happening next?

As part of the mid-cycle adjustments that will occur in 2016, there will also be an extensive scan of the external environment.

12. **What information about the risks facing the organization does the Board get to help it fulfill its stewardship and governance responsibilities?**

What are The City's Established Practices?

As noted under question 2, there are primarily three ways that Council is informed of principal risks:

- In reports from Administration to Council and Committees of Council.

- In The City's Annual Report.
- In the annual City Manager's Risk Report provided to the Audit Committee.

The risk information is provided in parallel with a number of specific annual risk reports to Audit Committee and Council that provide focussed insights into risk management related areas such as information technology, finance, legal risk and insurance coverage.

What has happened since 2014 May?

On 205 February 19, The City Manager's Annual Risk Report was received for information by the Audit Committee (AC2015-0191). Risks, mitigation measures and the responsibility for these mitigation measures were identified that were framed around the five directives of the Leadership Strategic Plan (LSP).

What is happening next?

According to the Audit Committee 2015 Work Plan (AC2014-0896), Administration is scheduled to provide the 2015 Corporate Risk Report on 2015 December 10. This report will build on enhancements to the reporting of principal risks that was provided in 2015 February.

---

13. How do we know that the information the Board gets on risk management is accurate and reliable?

What are The City's Established Practices?

The establishment of principal risks includes a rigorous identification and validation process, which is percolated up through the organization and confirmed by the ALT. Principal corporate risks are validated annually to ensure accuracy and relevance.

Furthermore, all reports to Council prepared by Administration, including the risk related information, are subject to a review and approval process by senior management of the area preparing the report. Guidance is provided to report writers as requested on how to communicate information related to risks in Council reports.

What has happened since 2014 May?

During the development of The City Manager's Annual Risk Report to the Audit Committee on 2015 February 19, there was greater involvement of ALT and of subject matter experts in the process. This enhanced the accuracy and reliability of the risks identified.

What is happening next?

The City's Principal Corporate Risks will be provided to the Audit Committee on 2015 December 10. Continuing with the improvements made over the past year, ALT will be involved in the process as well as subject matter experts. Administration will continue to look for opportunities to enhance accuracy and reliability.

14. How do we decide what information on risks we should publish?

What are The City's Established Practices?

Council's IRM policy provides guidance on the communication of risk information and clearly states that concealing risks to protect Council is not an acceptable practice. It is recognized however, that publishing risk information is an activity that can expose The City to unintended consequences. Releasing details on risks could impact existing litigation, negotiation processes, or assist those who have interests adverse to The City. Administration adheres to the Freedom of Information and Protection of Privacy Act (FOIP).

What has happened since 2014 May?

In addition to continuing current practices, principal corporate risks, including lead mitigation responsibility and mitigation measures were provided to the Audit Committee (AC2015-0191). Further, they were sent to the Senior Management Team and other selected staff for information purposes, for use in managing risks, and to support efforts to review and update departmental risk registers. There was also greater involvement of subject matter experts across the organization during the process to gather principal risks.

What is happening next?

One of the recommendations of the Audit is to broaden the communication and access by risk owners and internal stakeholders to principal corporate risks identified by ALT. While some progress has been made as noted above, the work planned includes:

- Furthering information exchange by establishing a network of key stakeholders and subject matter experts that would share and discuss best practices.
- Developing an enhanced method for monitoring risks and mitigation measures.
- Developing an annual collection tool (e.g. survey) for users of risk information to measure both the effectiveness of the IRM program for continuous improvement of risk management.

15. How do we take advantage of the organizational learning that results from the risk management program and activities?

What are The City's Established Practices?

There are a number of established practices that support continuous improvement and learning. For example, projects will typically end with an analysis of lessons learned that would result in improvements for future projects or other opportunities for continuous improvement. Lessons learned exercises would typically include how risk was managed as part of the project.

The IRM Program is an enterprise and systems approach to risk management therefore it is constantly evolving to align with the shifts in organizational culture and learning. Further, program activities serve as sources of improving. For example, feedback from stakeholders is collected after each IRM educational program or facilitated session. This feedback is incorporated into the ongoing continuous

improvement processes. The educational program for IRM is also continuously updated with relevant City-based risk management cases as they become available.

What has happened since 2014 May?

Established practices as outlined above have continued. A specific example of where the organization has learned from major events is the introduction of a Resilience Framework. On 2015 June 22, Administration communicated to Council the intent to develop a Resilience Framework for Calgary and identified a potential model that may include a number of focus areas: Leadership & Strategy, Infrastructure & Environment, Health & Wellbeing, and Economy & Society.

What is happening next?

In addition to continuing established practices, there is an opportunity for the IRM Program to work in concert with the work being done on a Resilience Framework.

One of the recommendations of the Audit is for the IRM Program to clarify and articulate goals and establish performance measures for the program. This will be completed in the next year using a results-based approach. By measuring the results of the Program, opportunities for learning and improvement will be highlighted and will support future action plans.

Further, as mentioned under previous questions, a network of key stakeholders and subject matter experts will be established that will share and discuss best practices and lessons learned related to risk management and current risk issues. This will promote a nimble risk management program which can adapt to organizational learning.

According to the CICA, the following five questions are intended as an assessment of 'Board' effectiveness. For these questions, related information has been provided rather than an assessment. Further, it has been assumed that Council is the equivalent of the 'Board' with the Audit Committee having a specific role in assisting Council with this oversight function as per the Audit Committee Terms of Reference.

16. What are our priorities as a Board in the oversight of risk management?

At The City the Audit Committee is delegated the responsibility for oversight of the Integrated Risk Management process on behalf of Council. In accordance with bylaw 48M2012, the Audit Committee oversees The City's Integrated Risk Management system. More specifically, the Audit Committee:

a) Oversees the process of The City's Integrated Risk Management (IRM).
b) Receives and reviews, at least twice a year, reports from Administration, regarding The City's IRM.
c) Reviews on an annual basis, the following areas of The City: the adequacy of insurance coverage; legal compliance; Information Technology's risk management update or as determined by the Committee.

17. How does the Board handle its responsibility for the oversight of opportunities and risks?

Oversight for the identification, assessment and management of risks and opportunities at The City is a shared responsibility between Council and its Committees. The Integrated Risk Management (IRM) Policy outlines the principles of IRM, risk tolerance, managing risks and reporting to Council. The Policy states exceptions may only be taken with the approval of Council. Assurance for Administration's commitment to risk management was provided to Council and its Committees as a key priority within the Strategic Leadership Plan. Further, all reports to Council consist a of a mandatory cover report, which includes a component for risk assessment.

18. How does the Board ensure that at least some of its members have the requisite knowledge and experience in risk?

The Audit Committee is constituted to help discharge Council's responsibility for adequate and effective risk management, financial reporting and control environment. The Audit Committee is composed of four members of Council and three electors ("Citizen Members"). The Councillors are elected for a single year term, while the Citizen Members are elected for a two year term. Appointment of the three electors is considered based on the electors' experience with risk and other areas which constitute the Audit Committee portfolio of responsibility.

19. How do we, as a Board, help establish the "tone at the top" that reinforces the organization's values and promotes a "risk aware culture"?

Council disseminates its expectations for the organization, including its commitment to risk oversight through the Principles of Integrated Risk Management, situated within the IRM Policy. This year, on behalf of Council, the Audit Committee contributed to a risk aware culture by receiving and discussing a series of reports, including but not limited to:

- Employee Code of Conduct Annual Report
- 2014 Corporate Risk Report
- 2014 Whistleblower Report
- Legal Compliance Annual Report
- The City of Calgary Insurance Coverage Annual Report
- 2014 Annual investment Report
- Control Environment Assessment and Management Representations
- IT Risk Management Annual Report
- Integrated Risk Management Model Update
- Reports from The City Auditor
- Reports from the external auditor

20. How satisfied are we that the Board is doing what it should in overseeing risk?

The Audit committee is delegated the responsibility for the oversight of the Integrated Risk Management process. The Audit Committee has previously conducted self-assessments including evaluating its role with respect to Integrated Risk Management. Further, according to the Audit Committee's 2015 Work Plan (AC2014-0896), the Audit Committee is scheduled to complete its 2014/2015 self-assessment at its 2015 September 10 meeting.