



# REPORT

AC2016-0288  
ATTACHMENT

## CALGARY MUNICIPAL LAND CORPORATION: ENTERPRISE RISK MANAGEMENT

### Enterprise Risk Management Defined:

*Enterprise risk management is a process, effected by an entity's board of directors, management and other personnel, applied in strategy setting and across the enterprise, designed to identify potential events that may affect the entity, and manage risk to be within its risk appetite, to provide reasonable assurance regarding the achievement of entity objectives.*

Committee of Sponsoring Organizations of the Treadway Commission (COSO), September 2004

### CMLC's ERM Process

1. Planning Meeting
2. Develop CMLC ERM framework
3. Conduct Training with Senior Management Team
4. One on One Risk Identification meetings with Senior Management Team
5. Risk Assessment Workshop with Senior Management Team
6. Develop Training Manual
7. Develop Risk Register and Heat Map
8. Presentation and approval from CMLC Audit Committee

This process was carried out with the assistance of KPMG LLP.

### THE RISK REGISTER

The register considers risk impact and risk likelihood categories that result in the overall residual risk. We determined the residual risk after we had factored the existing mitigations that we have in place to reduce the inherent risk to an acceptable level. Most of the risks that scored a medium could have a considerable impact to CMLC should the risk occur, however the CMLC team feels the likelihood of many of these risks occurring is low.

#### Calgary Municipal Land Corporation

429 - 8th Avenue SE

Calgary, AB T2G 0L6

PH 403.718.0300 FAX 403.718.0500 [www.calgarymlc.ca](http://www.calgarymlc.ca)

# ERM Framework

## Seven Step Framework



# Likelihood Categories

## Likelihood of Occurrence

Levels of Risk	Likelihood Rating	Details
High	3	Greater than 80% in the year
Medium	2	Between 20% and 80% in the year
Low	1	Less than 20% and has not occurred in the past 5 years

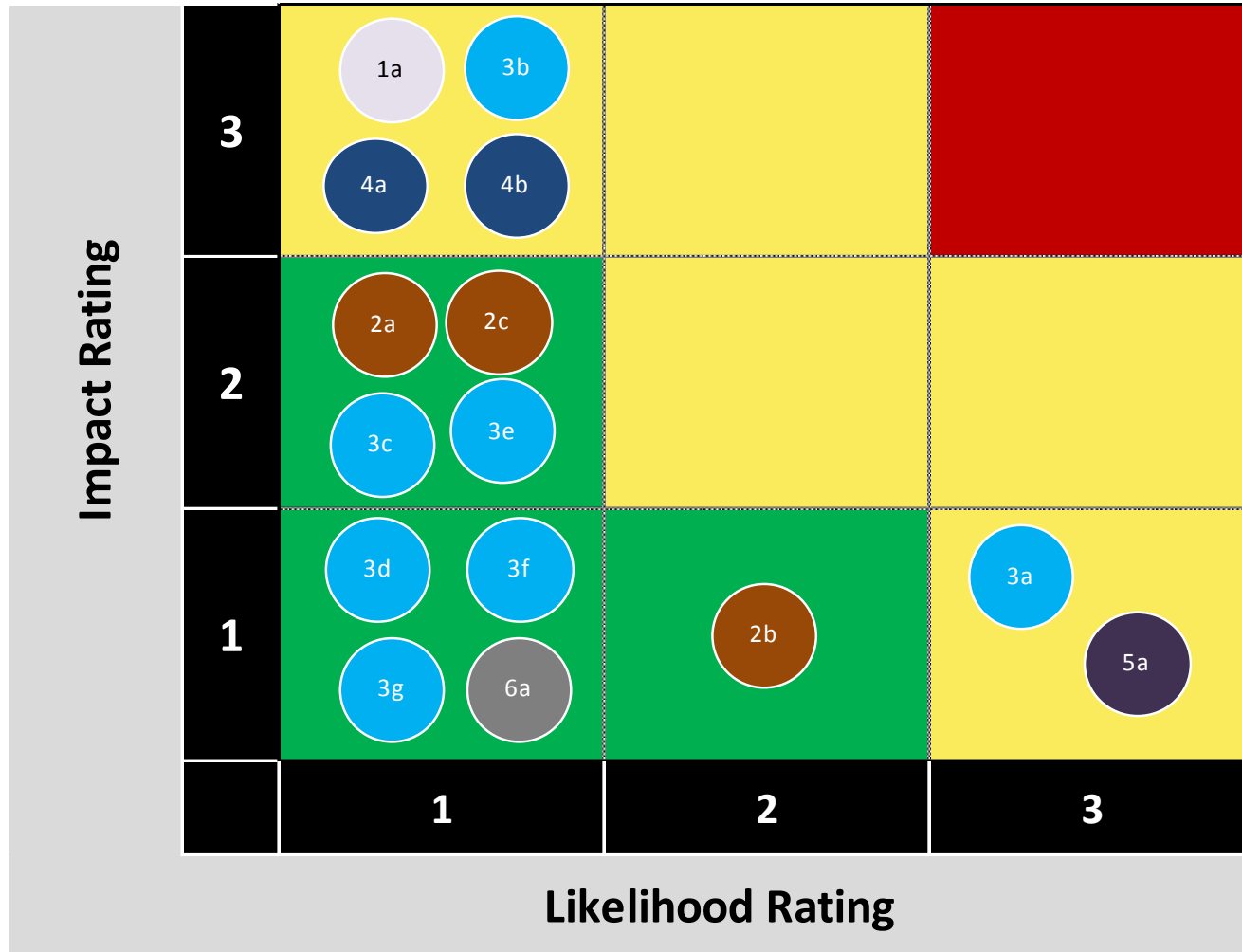
# Impact Categories

Risk Impact Category	Impact Definition
<b>Operations</b>	Risks pertaining to the delivery of services. These could include risks involving human resources, controls and processes.
<b>Environment, Health &amp; Safety (EH&amp;S)</b>	Events arising from inadequate safeguards to maintain public safety, the natural environment and / or CMLC's human capital well-being.
<b>Reputation</b>	A situation, occurrence, business practice or event that has the potential to materially influence the public and / or external stakeholders perceived trust or confidence in CMLC.
<b>Human Resource</b>	Inability to attract, retain or properly train qualified individuals.
<b>Financial</b>	Risk associated with operating and capital funds and budgets. This includes risk of fraud.
<b>Legal / Regulatory</b>	The risk of non-compliance with criminal, civil and common law including liability, negligence, fraud, breach of contract and tort.

# Risk Rating Matrix

Impact Rating	3	2	1	Likelihood Rating		
				1	2	3
				3	6	9
				2	4	6
1	1	2	3			

# Heat Map





# Calgary Municipal Land Corporation: Enterprise Risk Register 2016

Risk Identification				Risk Assessment				
RISK No.	RISK EVENT	RISK CAUSE	IMPACT / CONSEQUENCE	CURRENT MITIGATIONS	RESIDUAL RISK			
					LIKELIHOOD (1-3)	IMPACT (1-3)	SCORE (1-9)	RISK RATING
1	Environment, Health and Safety Risk: <i>Events arising from inadequate safeguards to maintain public safety, the natural environment and / or CMLC's human capital well-being.</i>							
1a	Public Safety Incident: Events that would deter investment in CMLC communities (developer investment, government investment, public use and / or home sales).	Increasing population within East Village during a period of significant construction activities. Diverse demographics within the community.	Inability to attract desired developers to CMLC projects and inability to attract potential homebuyers and retail investment.	Environmental, Health & Safety Committee meets to assess and improve our standards. Independent third party site audit on all our developer sites to ensure they are complying with the Health and Safety standards. Constant monitoring of sites by our Development team.	1	3	3	MEDIUM
2	Operational Risk: <i>Risks pertaining to the delivery of services. These could include risks involving human resources, controls and processes.</i>							
2a	Project Risk: Financial loss due to failure to implement strategic projects, within proposed time and budget estimates.	Projects do not align with community needs; Project delays and costs increases; Complex and changing projects (unique projects).	Loss of community and stakeholder confidence, cost overruns.	Project Risk Registers, Competent Staff and continuous monitoring of budgets. Variance analysis done regularly.	1	2	2	LOW
2b	Growth Risk: Loss of ability to react quickly, inability to maintain high level of quality.	Rapid growth resulting from new projects and expanding mandate.	Loss of competitive advantage resulting in increased competition.	Annual strategy sessions with senior management and board to help create balance between new projects and staff. Balance between internal staff and use of consultants.	2	1	2	LOW
2c	Event Risk: Loss of independence over event usage.	Third party usage of public spaces, new spaces and events with unknown outcomes (attendance), lack of safety / security infrastructure.	Loss of independence over public spaces, security and safety incidents.	Continue to maintain control of EV infrastructure assets. Event spaces managed by CMLC's marketing & development team. Internal approval process of all groups intending to use any of our space. Require insurance from anyone using EV space.	1	2	2	LOW

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3	Reputation Risk: A situation, occurrence, business practice or event that has the potential to materially influence the public and / or external stakeholders perceived trust or confidence in CMLC.							
3a	Political Reputation Risk: Risk arising from lack of alignment between shareholder and stakeholders (CMLC Board, City of Calgary, public) and negative public perception.	Differing opinions and expectations from various stakeholders and shareholder, inability to demonstrate success supported by specific success criteria outside revenue.	Discontinued or reduced revenue, confusion of mandate and inability to deliver mandate, wasted resources	Proactively engage key stakeholders on our plans through Shareholder meetings, media and other marketing channels. Present to the shareholder annually on our Business plan & Annual report to show that our Business Model is viable in its current state. Continue to be innovative, produce tangible results and complete projects on budget and on time.	3	1	3	MEDIUM
3b	Independence Perception Risk: Public perception that Board members and / or management is biased when making decisions.	Selected vendors who have perceived relationships with Board members and / or management.	Delayed decision making, decreased ability to be nimble	All Board members and management are independent and qualified business leaders. Board members and management are mandated to declare conflict of interest.	1	3	3	MEDIUM
3c	Procurement Process: Perception of unfair procurement process .	Lack of proper documentation to support fair decision making, few suppliers. Interference in procurement process by stakeholders.	Negative publicity and media attention resulting in negative public perception.	Properly documented procurement process with solid internal controls. Abide by the procurement standards under the NWPTA, through posting RFPs & RFQs on Alberta Purchasing Connection and Merx websites.	1	2	2	LOW
3d	Brand Risk: Inability to meet increased expectations of the CMLC Brand.	Variety of projects with differing success criteria, increased scrutiny going forward.	Negative perception by stakeholders and the public.	Annual strategy process helps us to remain focused on projects that fall with CMLC's vision and we continue to deliver excellent quality projects. We monitor and access our progress bi-weekly through our senior management team meetings.	1	1	1	LOW
3e	Community Partner Risk: Risks resulting from community members perceived to be associated with CMLC via the association to EV (events within CMLC public spaces, existing residents e.g Drop-In Center, new residents post build).	Diverse community within East Village with various communication strategies and priorities.	Negative perception by stakeholders and the public.	Engage with all EV stakeholders and community associations through events and other communication channels. Collaborate with stakeholders in making EV a safe place. Providing recreational spaces for the elderly EV population.	1	2	2	LOW
3f	Flood Mitigation Perception Risk: Risks resulting from perception that EV lacks adequate flood control / mitigation infrastructure.	Lack of communications to change public perception that flood mitigation has been implemented.	Inability to attract desired developers to CMLC projects and inability to attract potential homebuyers and retail investment.	Infrastructure has been built to withstand a 1 in 100 year flood as evidenced in 2013. Continue to activate public places within the East Village for the public to attend and see the flood mitigation work around East Village. Continue to engage the public and communicate the minimal impact of the previous flood in East Village.	1	1	1	LOW
3g	Communications Risk: The risk that communication or lack of communication will result in inconsistent or ineffective messages.	Multiple partners and existing residents in East Village with various communications.	Negative perception by stakeholders and the public.	Documented internal strategy on external communication by the organization.Continuous engagement of all stakeholders through media, our website and quarterly issues of the EVE magazine.	1	1	1	LOW



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4	Human Resource Risk: <i>Inability to attract, retain or properly train qualified individuals.</i>							
4a	Human Resource Risk: Risk resulting from inability to retain skilled resources.	Small organization with limited career development opportunities, lack of performance development planning.	Higher operating costs and increased legal / regulatory, operational and reputation risk resulting from high employee turnover and inability to retain skilled and experienced resources.	Continue to seek exciting and transformational projects to attract and retain talent. Employee engagement by creating learning and growth opportunities as they become available. Maintain our culture of teamwork and trust.	1	3	3	MEDIUM
4b	Board Governance Risk: Ineffective Board.	Failure to follow recognized Board governance processes.	Delayed decision making, failure to implement strategic objectives	The Board committee mandates are reviewed on an annual basis and updated appropriately. Monthly Board meetings and quarterly committee meetings in which other corporate policies are reviewed. The board is appointed by the Shareholder at the AGM.	1	3	3	MEDIUM
5	Financial Risk: <i>Risks associated with operating and capital funds and budgets.</i>							
5a	Local Economy: Risk of lower than expected revenue resulting from delays in development, lower than expected revenues.	Lack of access to capital by developers, developer contract breaches, delayed build activities and subsequent revenue.	Reduced revenue.	Revenue budgets based on conservative revenue estimates. Attracted partners that demonstrated integrity, and financial stability to build in EV after a thorough process of vetting.	3	1	3	MEDIUM
6	Legal/Regulatory Risk: <i>The risk of non-compliance with criminal, civil and common law including liability, negligence, fraud, breach of contract and tort.</i>							
6a	Legal/Regulatory Risk: The risk of non-compliance with criminal, civil and common law including liability, negligence, fraud, breach of contract and tort.	Non compliance with existing policy and processes, lack of resources to adopt new policies and processes within reasonable timeframe. Historical obligations and commitments.	Legal expenses, negative impact to reputation.	Legal experts consulted for help. Adequate insurance coverage is in place and is reviewed annually. Appropriate internal controls exist and are reviewed by Audit Committee annually. All transactions and commitments are monitored and reviewed for any potential liabilities and loss to CMLC. Updated employee manual and policies maintained on Intranet. Each employee signs an acknowledgement form to show that they have read and understood the policies and guidelines.	1	1	1	LOW