

Corporate Planning & Financial Services Report to
Audit Committee
2024 July 25

ISC: UNRESTRICTED
AC2024-0518

2024 Mid-Year Principal Corporate Risk Report with Information Technology

PURPOSE

The purpose of this report is to provide an update on the current assessment of the risk environment facing The City and how it is impacting the Principal Corporate Risks (PCR). As of June 30, this report highlights the pivotal role of risk management as a management tool, strategically looking to the future context and fostering interconnected discussions to effectively manage strategic impacts. It provides essential information to collectively monitor, engage in strategic discussions, and respond to internal and external pressures that influence The City's ability to meet strategic objectives. The aim is to proactively prepare for potential negative impacts while strategically positioning the organization to capitalize on opportunities.

PREVIOUS COUNCIL DIRECTION

The Audit Committee's 2024 Work Plan was approved by the Audit Committee on 2023 December 14. As a part of this Work Plan, the Audit Committee directed the Chief Administrative Officer and the General Manager, Corporate Planning and Financial Services to provide the Mid-Year Corporate Principal Risk Report on 2024 July 25.

RECOMMENDATION:

1. Receive this report and presentation for information and the Corporate Record; and
2. Direct that Attachments 4 and 5 remain confidential pursuant to Section 24 (Advice from officials) of the *Freedom of Information and Protection of Privacy Act*, to be reviewed by 2029 July 31.

RECOMMENDATION OF THE AUDIT COMMITTEE, 2024 JULY 25:

That Council:

1. **Direct that Administration and the Green Line Board provide Audit Committee with excerpts from their 2024 July 30 Report to Council concerning the risk analysis for their review and advice, if any, to return to Council no later than the 2024 October 29 Regular Meeting of Council;**
2. Receive this report and presentation for the Corporate Record; and
3. Direct that Attachments 4 and 5 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 2029 July 25.

Excerpt from the Minutes of the Regular Meeting of the Audit Committee, 2024 July 25:

"The following documents were distributed with respect to Report AC2024-0518:

- Revised Attachment 2; and
- Revised Attachment 6.

...

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Moved by Councillor Wyness

That with respect to Report AC2024-0518, Committee amend the recommendations by adding a new Recommendation #1 as follows and renumber accordingly:

1. Direct that Administration and the Green Line Board provide Audit Committee with excerpts from their 2024 July 30 Report to Council concerning the risk analysis for their review and advice, if any, to return to Council no later than the 2024 October 29 Regular Meeting of Council.

For: Councillor Spencer, Councillor Walcott, Councillor Pootmans, Councillor Wyness,
(6) Public Member Kim, and Public Member McGillivray

MOTION CARRIED

Moved by Public Member McGillivray

That with respect to Report AC2024-0518, the following be approved, **as amended**:

That the Audit Committee recommends that Council:

1. **Direct that Administration and the Green Line Board provide Audit Committee with excerpts from their 2024 July 30 Report to Council concerning the risk analysis for their review and advice, if any, to return to Council no later than the 2024 October 29 Regular Meeting of Council;**
2. Receive this report and presentation for the Corporate Record; and
3. Direct that Attachments 4 and 5 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 2029 July 25.

For: Councillor Spencer, Councillor Walcott, Councillor Pootmans, Councillor
(6) Wyness, Public Member Kim, and Public Member McGillivray

MOTION CARRIED”

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CHIEF ADMINISTRATIVE OFFICER/GENERAL MANAGER COMMENTS

The Chief Financial Officer and General Manager of Corporate Planning and Financial Services concurs with this report.

HIGHLIGHTS

- There were no changes in the PCR risk ratings since the 2023 Year-End PCR report and The City's risk environment remains predominantly stable. Risk management strategies continue to stabilize the PCR risk ratings. The ERM team will review with risk owners any changes required to be made following the 2024 July Green Line Council decision making and internal and external reviews following the Bearspaw South Feeder Main Break.
- **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.
- Information Technology (IT) is continuing to see a significant increase in more targeted and more sophisticated cyber activity – including a sharp increase in attacks directed towards government. The rate of advancements in emerging technology, such as Artificial Intelligence, presents unique opportunities while introducing new risks for The Corporation. IT is constantly reviewing and refining its efforts to ensure that risks are kept at an acceptable level.

DISCUSSION

The City's Risk Profile at Mid-Year 2024 (Attachment 2)

The Risk Profile in Attachment 2 provides the Audit Committee with 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).

In 2024 July, there will be Council decision making on Green Line, anticipated to include scope, budget, funding, risks, and governance. Administration will incorporate the impact of decisions made in the next update.

The final report of the Bearspaw South Feeder Main Break Independent Review is not expected until 2025 due to the time required to establish the review panel. In addition to this external review, internal reviews are being conducted by CEMA and Water Services. This report does not include any implications of these potential decisions or recommendations. The ERM team will adjust risk reporting based on the outcomes of these processes in consultation with the risk owners.

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The City's risk profile has remained relatively stable since our 2023 Year-End PCR report, with all PCRs maintaining the same risk rating. However, this stability is being challenged by a complex interplay of internal and external pressures.

Internally, we are facing financial and capacity constraints, recruitment and retention challenges, and process inconsistencies. These pressures directly impact our ability to deliver services effectively and efficiently. Externally, population growth, political polarization, economic volatility, rapid advancements in artificial intelligence, the escalating impacts of climate change and heightened public safety concerns are all putting significant strain on our resources and operations. These internal and external pressures are interconnected and can exacerbate the risks associated with each Principal Corporate Risk. For example, financial constraints can limit our ability to address capacity issues, which in turn can hinder our service delivery and leave us vulnerable to the impacts of political decisions or economic fluctuations.

To effectively manage this complex risk landscape, The City is actively monitoring these pressures and adjusting risk response strategies as needed. This proactive approach allows us to navigate these challenges, mitigate potential negative impacts, and seize emerging opportunities to enhance our resilience and achieve our strategic objectives.

The PCR Dashboard on page 5 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, risk appetite/tolerance and target residual risk rating. As per the Executive Leadership Team's direction following a discussion on the PCR definitions, the Employee Experience and Technological Disruption Principal Corporate Risk have been separated into two risks to better communicate the respective pressures and responses to those risks.

Key Risk Metrics (Attachment 3 – Public and Attachment 4 - Confidential)

As part of our ongoing commitment to data-driven analysis, we have introduced Key Risk Metrics (KRM) into the Principal Corporate Risk (PCR) report. These KRMs play a crucial role in informed decision-making, monitoring strategic goals, and improving risk preparedness. In 2023, the ERM team collaborated with teams from each PCR to identify relevant KRMs that reflect critical aspects of each PCR.

Attachment 3 (provides a list of public KRMs, while Attachment 4 offers detailed information on confidential metrics. Demonstrating our commitment to transparency, 83 per cent (53 out of 64) of the KRMs are public, with only those that pose a significant risk to The City (primarily those related to technology and cybersecurity) being kept confidential. Starting in December 2024, the PCR report will include the remaining KRMs. Our transparent approach aims to empower strategic decision-making through enhanced risk reporting.

Information Technology Risk Register (Attachment 5 – Confidential)

Managing technology-related risks to protect The City's reputation and maintaining the public's trust is critical. The increase in the volume and sophistication of cyber activity means more focus on monitoring, detection and mitigation is required. Attachment 5 contains the Information Technology Risk Register (Confidential) which includes mitigation techniques for strategic and operational risks integrated into IT methodologies, work plans, and budgets.

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Enterprise Risk Management Program Update (Attachment 6)

Attachment 6 outlines the organization's commitment to enhancing risk management practices and governance. By 2026, the goal is to reach an Advanced (Tier 4) level of risk maturity. Progress includes the development of a risk governance framework, which is being refined through pilots including one with Waste and Recycling services. The framework will provide clear guidelines for risk updates and criteria for escalating significant risks. To support informed decision-making, efforts are underway to define the organization's risk appetite and tolerance levels, utilizing key risk metrics for a data-driven approach. Collectively, these initiatives underscore a strategic move towards a more robust and integrated risk management system.

EXTERNAL 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 are impacted by changes in various social and economic factors which can negatively impact social wellbeing, along with the capacity and effectiveness of both The City and our partners in responding. The City continues to monitor and analyze wellbeing and safety issues; to develop, implement and invest in strategies that focus on prevention and improving social conditions impacting quality of life, access to opportunities, and inclusion in society; and to provide services and front-line response that support social wellbeing, particularly for Calgarians experiencing vulnerabilities.

Environmental

Climate and environmental concerns continue to be a top pressure facing The City. Progress has been made on implementing the Climate Strategy – Pathways to 2050; however, greenhouse gas emissions are not being reduced at the necessary rate, which poses increased risk to our economy, environment, people, and reputation. There are opportunities associated with developing and implementing green technologies in Calgary and applying an equity lens to ensure access to environmental and climate services is available for all.

Economic

The City faces pressure from economic volatility due to current macroeconomic conditions, including exposure to pressures related to inflation, cost fluctuations, and the ability to procure materials in a timely fashion due to supply chain disruptions. At the same time, The City has specific financial uncertainties due to our reliance on the provincial and federal government for

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funding particularly for capital projects. The City is considering alternative sources of funding and financing to help mitigate this risk.

Service and Financial Implications

No anticipated financial impact

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RISK

The Mid-year Principal Corporate Risk report provides an analysis and assessment of the risk environment in which The City operates. The information provided helps in having fulsome discussions, making informed decisions, and responding appropriately with a strategic plan to ensure The City achieves desired results. If this is not achieved, The City may be less prepared to adapt to the downside of risk and be less able to capitalize on the upside of risk.

ATTACHMENTS

1. Background and Previous Council Direction
2. The City's Risk Profile at Mid-Year 2024
3. Public Key Risk Metrics
4. Confidential Key Risk Metrics
5. Confidential IT Risk Register at Mid-Year 2024
6. Enterprise Risk Management Update
7. Presentation

Department Circulation

General Manager/Director	Department	Approve/Consult/Inform
Carla Male, Chief Financial Officer	Corporate Planning and Financial Services	Approve
Chris Stewart, Director	Corporate Planning and Performance	Approve
David Duckworth, Chief Administrative Officer	Chief Administrator's Office	Inform
Stuart Dalgleish, Chief Operating Officer	Chief Operating Office	Inform
Katie Black, General Manager	Community Services	Inform
Debra Hamilton, General Manager	Planning and Development	Inform
Jill Floen, City Solicitor	Law and Legislative Services	Inform
Doug Morgan, General Manager	Operational Services	Inform
Michael Thompson, General Manager	Infrastructure and Engineering Services	Inform

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Author: Enterprise Risk Management Team, Corporate Planning and Performance

City Clerks: C. Doi / K. Picketts