

**Chief Financial Officer's Report to
Audit Committee
2018 July 25**

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AC2018-0911
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Integrated Risk Management Program Update

EXECUTIVE SUMMARY

Integrated Risk Management (IRM) enhances The City's ability to establish a reliable basis for decision making and planning while encouraging proactive, rather than reactive, management. This report provides The Audit Committee with an update on Integrated Risk Management's program and the most recent revisions to The City's Principal Corporate Risks. IRM and the Principal Corporate Risks support the achievement of Council Directives, and Administration's Commitments as presented to Council on 2018 February 28. The Audit Committee oversees The City's IRM and, twice a year, receives and reviews reports from Administration regarding IRM.

ADMINISTRATION RECOMMENDATION:

Administration recommends that The Audit Committee:

1. Receive this report for information.
2. Recommend that Council receive this report for information.
3. Direct that Attachment 2 and Attachment 3 remain confidential pursuant to Sections 23, 24, and 25 of the *Freedom of Information and Protection of Privacy Act*.

RECOMMENDATION OF THE AUDIT COMMITTEE, DATED 2018 JULY 25:

That Council:

1. Receive this report for information; and
2. Direct that Attachment 2 and Attachment 3 remain confidential pursuant to Sections 23, 24, and 25 of the *Freedom of Information and Protection of Privacy Act*.

PREVIOUS COUNCIL DIRECTION / POLICY

The Audit Committee Bylaw (48M2012) states that The Audit Committee is responsible for "overseeing the process of The City's Integrated Risk Management System." The Audit Committee presides over The City's processes for risk identification, analysis, and management. Specifically regarding risk management, the Bylaw states that The Audit Committee receives and reviews, at least twice a year, reports from Administration regarding The City's Integrated Risk Management (IRM).

On 2017 December 14, The Audit Committee approved its 2018 Work Plan (AC2017-1136) which included consideration of the Annual Principal Corporate Risk Report on 2018 January 26. The Audit committee's 2018 Work Plan also includes a mid-year IRM program update. This report is designated to serve that function.

BACKGROUND

Integrated Risk Management's program update to The Audit Committee is one of many ongoing streams of work undertaken to identify, analyze, and appropriately manage risk. This report contains strategic risk information informed by work performed by service owners, business units, departments, and the Administrative Leadership Team. Of the two reports presented to

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The Audit Committee by IRM, the year-end (presented in January) report focuses on the Principal Corporate Risk review, and the mid-year report focuses on the IRM program. In keeping with best practice, and to support The Audit committee in its role to oversee the IRM program, this report will continue to provide a mid-year program update and will include an update to the Principal Corporate Risks (in Attachment 2 and Attachment 3).

INVESTIGATION: ALTERNATIVES AND ANALYSIS

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The City's IRM program consists of a structured risk governance framework as well as supporting processes and procedures; all of which are underpinned by acceptable risk management practices throughout the organization.

Attachment 1 uses the IRM Framework to provide an update on The City of Calgary's IRM program. The IRM framework is based on the international risk management standard ISO 31000. Risk management practices are categorized into four pillars: Governance and Oversight, Integration with Strategic Direction, Established Practices and Processes, and Review and Continuous Improvement. Attachment 1 has information regarding all of these pillars, yet this year's update does focus on Review and Continuous Improvement as that is the area of emphasis for IRM this year.

To improve, IRM will focus on positioning The City to address the complexity and velocity of the constantly shifting risk environment in which The City operates. 2019-2022 Council Directives for One Calgary notes, "We need to create a culture, including City Council, that embraces appropriate levels of risk, innovation, experimentation, and embraces lessons learned as opportunities to improve." To contribute to this directive, IRM will continue to pursue opportunities to develop The City's capacity for value added, risk-based decision making.

In order to maintain an ethos of continuous improvement, the IRM program regularly evaluates and re-evaluates its initiatives. Throughout the past year, progress has been made in a number of areas to advance the IRM Program, page three of Attachment 1 provides an overview of some of these achievements. The IRM program has also identified key initiatives to focus its efforts next, page four of Attachment 1 lists highlights of these initiatives.

The information provided in Attachment 1 demonstrates that:

- The City is continuing to assess, evaluate, and re-evaluate the needs of its IRM program. The IRM program has formally incorporated data-centric analysis for its risk assessments and management planning. In order to fully extract the value of these initiatives the IRM program must continuously build capacity and mature The City's risk management practices.
- Due to the rapid change of risks facing The City, IRM needs to be more agile and responsive. IRM is preparing a strategic plan to implement a multifaceted approach to develop risk-based decision making at various levels throughout the organization. IRM intends to leverage existing capacity building programs and offer tailored approaches to diverse stakeholders.

Principal Corporate Risk Summary Report

Attachment 2 has the updated Principal Corporate Risks that were approved by the Administrative Leadership Team on 2018 June 5. The Principal Corporate Risks are sixteen

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strategic, cross-corporate risks that are monitored and managed by senior leadership; each is assigned a risk owner designated to oversee that particular risk. The Principal Corporate Risks are reviewed twice per year using a top-down, bottom-up process and are communicated throughout the organization.

Evidence-Based Principal Corporate Risks Assessments

Attachment 3 presents the Principal Corporate Risks, as considered using the Results Based Accountability™ (RBA) thinking process. The RBA™ thinking process is the corporate standard for The City's Performance Management System. The Performance Management System is a disciplined approach to continuous improvement designed to better serve our customers, communities, and citizens. Presenting The City's Principal Corporate Risks in this way allows for a focused, evidence-based understanding of each risk. The data trends of each key risk indicator inform the current ratings of the risk and the strategies to manage them.

Stakeholder Engagement, Research and Communication

The IRM program regularly engages multiple stakeholders throughout the organization. In order to communicate initiatives of the IRM program and support those throughout the organization working on aspects of risk management, IRM facilitated a workshop 2018 May 8. This workshop included representatives from every department and most City service lines. This workshop functioned as part of the Top-down, Bottom-up mid-year review of the Principal Corporate Risks (PCR) which sought engagement from teams and leadership at the Service level as well as The City's senior leadership. Risk Owners of the Principal Corporate Risks also contributed to the mid-year PCR review and ALT approved an updated PCR risk register on 2018 June 5.

IRM will continue to engage internal stakeholders, individuals and groups, throughout the organization who are involved in the identification, assessment, analysis, and management of risks. The aim of this engagement is to build risk practices, tools, and techniques as well as to further develop and mature The City's risk based decision making.

Strategic Alignment

On 2018 February 28, Administration presented Council with "Administration's Commitments" which describe Administration's approach to delivering on Council direction (C2018-0201). The IRM program contributes to these commitments and aligns with the One Calgary program. The City's Principal Corporate Risks (Attachment 2) will support each of the six commitments and contribute to Administration's ability to deliver on them without serious disruption.

Risk identification and assessment is one of the factors that directly inform strategy development for the One Calgary Service Plans and Budgets 2019-2022 by providing a risk lens to the process. Recently, risks have been identified, managed, and tied to strategy at the service level. IRM contributes to service reviews as risk-based decision making adds value to service lines. Risk management ensures appropriate and prudent responses are deployed while overseeing measures to secure the delivery of services.

Social, Environmental, Economic (External)

Effective risk management will help to ensure The City's ongoing resilience and ability to serve citizens in accordance with The City's strategic goals. These include, the social, environmental and economic goals expressed in the Council Priorities.

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Financial Capacity

Current and Future Operating Budget:

Activities related to the IRM Program can be accomplished within approved budgets. Risk response strategies planned or implemented by Administration will also help ensure services are efficient and effective, and thereby drive up service value for citizens.

Current and Future Capital Budget:

Activities related to the IRM process are within approved budgets and programs. As well, the measures will help to preserve the stability, efficiency, and effectiveness of future capital budgets.

Risk Assessment

The City's IRM program supports decision making and enables successful management of both opportunities as well as threats and hazards to The City. One risk is that risks are not properly identified, assessed, and managed. As a result, The City is at risk of incurring unnecessary costs and service disruption. IRM will continue to identify needs of The Corporation to seek opportunities to develop risk management practices.

Another risk is that the Integrated Risk Management (IRM) program and associated risk process are not fully adopted or utilized across The Corporation. To mitigate this risk, IRM is part of The City's Performance Management System, contributes to service reviews, and is aligned with the business planning and budgeting process.

REASON(S) FOR RECOMMENDATION(S):

This report is provided to The Audit Committee to support its role of overseeing the process of risk identification, analysis, and management. This report provides up-to-date information on risk management program update.

It is recommended that Attachment 2 and Attachment 3 remain confidential.

ATTACHMENT(S)

1. Attachment 1 – Integrated Risk Management Program Report (Mid-Year 2018) AC2018-0911
2. Attachment 2 – Principal Corporate Risk Summary Report AC2018-0911 CONFIDENTIAL
3. Attachment 3 – Evidence-Based Principal Corporate Risk Assessments AC2018-0911 CONFIDENTIAL