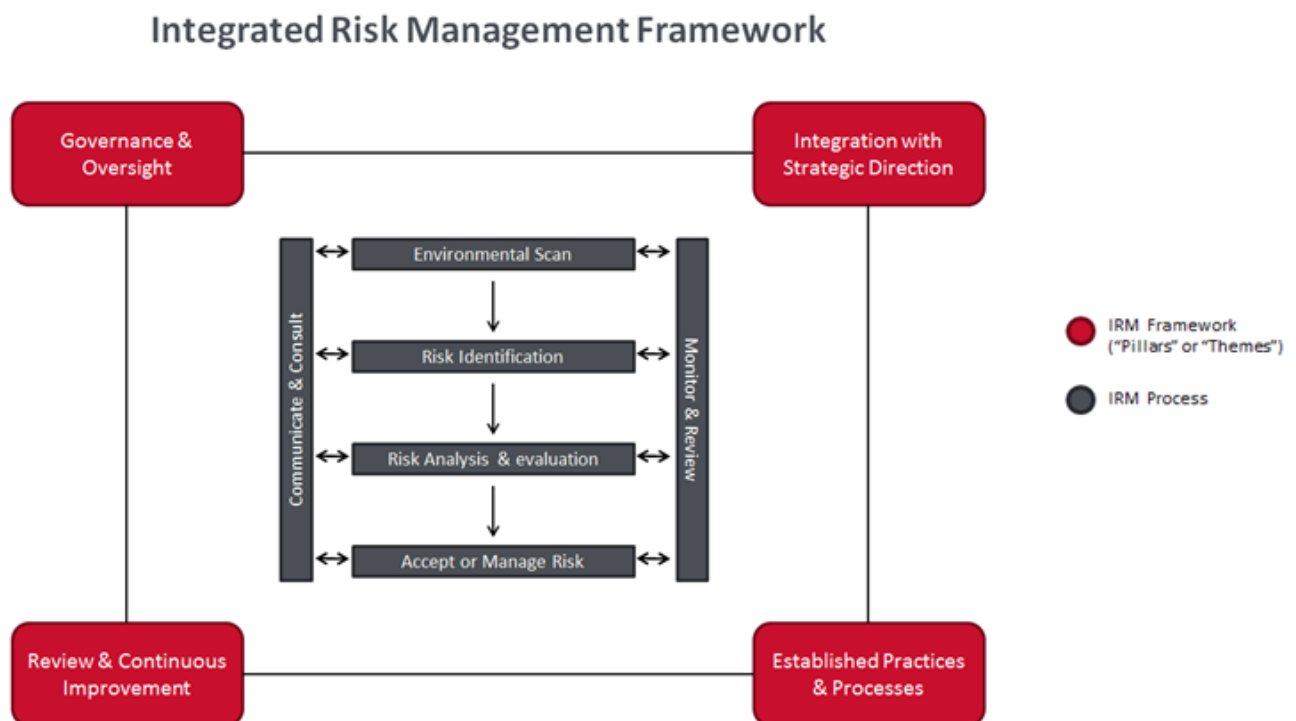


## Integrated Risk Management Program Update

This Attachment provides an update on the Integrated Risk Management (IRM) Program. The City's IRM framework (Diagram 1) demonstrates key themes to assure The Audit Committee that The City has the appropriate processes in place to manage risks and opportunities effectively. The framework is based on the foundations of the ISO 31000 (Risk Management – Principles and Guidelines) Standard, which includes a systematic process for identifying, analysing, evaluating, treating, communicating, and monitoring risks.

Diagram 1



The 2018 IRM Program Update report will be based on these following four themes:

- Governance and Oversight
- Established Practices and Processes
- Integration with Strategic Direction
- Review and Continuous Improvement

The City's IRM Framework consists of a risk governance structure and a well-established operating process, both of which are underpinned by the essential qualities of The City's culture; competence, character, commitment, and collaboration. This report will focus on the "Review and Continuous Improvement" portion of this framework as that is where the IRM program will concentrate its efforts in the upcoming year.

## Governance and Oversight

Council and Administration continue to demonstrate a strong commitment to risk management by adhering to good governance and oversight practices. The policies, procedures, and practices put in place continue to remain effective.

1. **Council Policy** – Council’s IRM Policy (CC011) 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 Program.
3. **Administration Oversight** – The Administration Leadership Team (ALT) formally discusses strategic risks to the organization at least twice per year. All Principal Corporate Risks are also owned and proactively managed by members of the ALT.

## Integration of IRM with The City’s Strategic Direction

Integrated Risk Management is designed to form an integral part of existing business processes and to inform The City’s strategic direction. This is demonstrated in a number of ways:

1. **Administration’s Commitments** – The IRM program contributes to Administration’s “Administration’s Commitments” which were presented to Council early 2018. The City’s Principal Corporate Risks will support each of the six commitments and contribute to Administration’s ability to deliver on them without serious disruption.
2. **Performance Management System** – Integrated Risk Management is one of the components of The City’s decision making processes by providing the organization with the framework to minimize negative risks, while maximizing opportunities, ensuring it is taking “the right amount” of risk. Performance Management includes service review and improvement, service plans and budgets, performance measurement and accountability, integrated risk management, and individual performance development.
3. **One Calgary (2019-2022 Service Plans and Budgets)** – IRM has been involved in the One Calgary program to support the organization in including proactive identification and assessment of risks into its planning process. Risks will continue to be evaluated in an ongoing manner throughout this business planning and budget cycle.

## Established Practices and Processes

The City has many established practices and processes which support effective risk management. The City’s IRM program includes a systematic method for identifying, analysing, evaluating, treating, communicating, and monitoring risks.

The City’s Principal Corporate Risks are identified using a combined bottom-up, top-down approach to risk management which includes:

- Identifying risks at the service or project level in the organization.

- Utilizing risk management best practices to advance a proactive risk management culture across The City.

## Review and Continuous Improvement

The City's IRM Program is continually evolving and improving through incremental change. In 2017 and early 2018 some improvements that were made are:

- **Principal Corporate Risks are monitored and reviewed using a Results Based Accountability™ (RBA) template:** The Principal Corporate Risks are now being monitored and presented in a manner that emphasises indicators and evidence to support management strategies.
- **Risk Indicators are included in all risk registers:** In conjunction with the move to service line risk registers, risk indicators are now collected as part of the twice yearly corporate risk review process. Indicators are used to support the rating of a risk (its likelihood and impact). Currently, approximately 70% of The City's service level risks have associated indicators. The IRM program will work to increase this number.
- **Service Risk Registers:** Introduced in 2018 May, contributes to the service based approach to the City as an organization, each service line has the opportunity to submit a risk register to be included in the corporate wide risk review. As a result of this initiative, Service Owners are better positioned to identify, assess, and manage risks at a service level. This initiative, with the One Calgary program and 2019-2022 Service Plans and Budgets, aligns City processes to service delivery.
- **Aligning Service Level risks to Principal Corporate Risks:** To connect The City's strategic and tactical risks IRM has introduced a method to categorize Principal Corporate Risks and workshop activities to correlate service level risks to Principal Corporate Risks. This provides opportunities to coordinate and correlate risk management efforts throughout the organization. This work also furthers efforts to promote cross-corporate collaboration.

IRM has several ongoing commitments. These include:

- Defining The City's risk appetite and tolerance. Once implemented, risk appetite and tolerance standards will serve as guidelines for decision makers as to how much risk The City is prepared to take on in the pursuit of its objectives. To date, these concepts were introduced in a workshop with risk leads to frame a common understanding of terms for the organization. IRM will next quantify, utilize, and implement a robust tolerance and appetite culture in The City.
- Review and evaluate the 3x3 matrix (heat map) currently used for risk assessments. The 3x3 matrix requires an evaluation and, potentially, an updated model to better represent The City's risks. An alternate matrix offers the possibility to enhance and add rigour to the risk analysis and evaluation processes throughout The City.

## Looking ahead

Moving forward, IRM will continue to evaluate and assess the needs of the organization and seek feedback from stakeholders to develop The City's risk management program. IRM is in the process of

developing a long term strategic plan which will contain risk capacity building elements that can be deployed over time to mature The City's risk management practices as a whole.

In pursuing improvements to the IRM program, The City can expect the following benefits:

- Implement enterprise wide risk-based decision thinking.
- Develop a more rigorous practice of identifying and pursuing business opportunities.
- Optimize risk processes.
- Increase awareness and capability for risk management.

IRM has identified certain opportunities for The City to extract further value from the risk review processes in place. These will be incorporated into long term planning. These opportunities are:

- Establishing a formalized network of stakeholders (risk owners) to better coordinate The City's risk management practices across service lines.
- Developing the best practice of shared data and cross functional collaboration across levels of risk management.
- Developing more defined and effective workflows and processes for risk elevation.
- Incorporating data more thoroughly to inform risk ratings and to measure the effectiveness of risk management techniques.
- Calculate and report upon the costs and effectiveness of risk management techniques when appropriate.

Due to the rapid change of the risk environment in which The City operates, IRM will adopt a process of continuously evaluating and re-evaluating the needs of The City's risk management. In alignment with both The City's and the IRM program's capacity, IRM will continue to develop best practices, techniques, and tools for risk management for the organization. IRM has identified opportunities it intends to pursue to further mature The City's risk-based decision making and promote value across the organization.