



REVISED AGENDA

AUDIT COMMITTEE

October 22, 2020, 9:30 AM
IN THE COUNCIL CHAMBER

Members

Councillor E. Woolley, Chair
Councillor J. Farkas, Vice-Chair
Councillor D. Colley-Urquhart
Councillor J. Gondek
Citizen Representative L. Caltagirone
Citizen Representative M. Dalton
Citizen Representative M. Lambert
Mayor N. Nenshi, Ex-Officio

SPECIAL NOTES:

*Public are encouraged to follow Council and Committee meetings using the live stream
www.calgary.ca/watchlive
Members may be participating remotely.*

1. CALL TO ORDER
2. OPENING REMARKS
3. CONFIRMATION OF AGENDA
4. CONFIRMATION OF MINUTES
 - 4.1. Minutes of the Regular Meeting of the Audit Committee, 2020 September 17
5. CONSENT AGENDA
 - 5.1. DEFERRALS AND PROCEDURAL REQUESTS
None
 - 5.2. BRIEFINGS
None

6. POSTPONED REPORTS
(including related/supplemental reports)

None

7. ITEMS FROM OFFICERS, ADMINISTRATION AND COMMITTEES

7.1. 2020 Law Report, AC2020-1121

7.2. Civic Partner Audit Report, AC2020-1049
Attachments 3, 5, and 6 held confidential pursuant to Sections 16 (Disclosure harmful to business interests of a third party), 23 (Local public body confidences) and 24 (Advice from officials) of the *Freedom of Information and Protection of Privacy Act*.

Review by: 2026 October 22

7.3. Assessment Complaints Audit, AC2020-1170

7.4. City Auditor's Office 2021-2022 Audit Plan, AC2020-1172

NEW MATERIAL

7.5. *City Auditor's Office 3rd Quarter 2020 Report, AC2020-1171*

8. ITEMS DIRECTLY TO COMMITTEE

8.1. REFERRED REPORTS
None

8.2. NOTICE(S) OF MOTION
None

9. URGENT BUSINESS

10. CONFIDENTIAL ITEMS

10.1. ITEMS FROM OFFICERS, ADMINISTRATION AND COMMITTEES

10.1.1. City Auditor's Office Budget 2021 (Verbal), AC2020-1187

10.1.2. Audit Forum (Verbal), AC2020-1160

10.1.3. External Auditor (Verbal), AC2020-1161

10.1.4. City Auditor (Verbal), AC2020-1186

- 10.1.5. 2019 – 2020 Audit Committee Self-Assessment Survey, AC2020-1092
Report and attachment held confidential pursuant to Section 19 (Confidential evaluations) and 24 (Advice from officials) of the *Freedom of Information and Protection of Privacy Act*.

Review by: 2035 October 22.

10.2. URGENT BUSINESS

11. ADJOURNMENT



**MINUTES
AUDIT COMMITTEE**

**September 17, 2020, 9:30 AM
IN THE COUNCIL CHAMBER**

PRESENT: Councillor E. Woolley, Chair
Councillor J. Farkas, Vice-Chair
Councillor D. Colley-Urquhart (Remote Participation)
Councillor J. Gondek (Remote Participation)
Citizen Representative L. Caltagirone (Remote Participation)
Citizen Representative M. Dalton
Citizen Representative M. Lambert (Remote Participation)

ALSO PRESENT: City Manager D. Duckworth
Chief Financial Officer C. Male
City Auditor K. Palmer (Remote Participation)
Deputy City Auditor L. Ormsby
External Auditor H. Gill (Remote Participation)
Executive Assistant C. Smillie
Deputy City Clerk K. Martin
Legislative Advisor L. Gibb

1. CALL TO ORDER

Councillor Woolley called the Meeting to order at 9:34 a.m.

ROLL CALL

Councillor Woolley, Councillor Colley-Urquhart, Councillor Farkas, Citizen Representative L. Caltagirone, Citizen Representative M. Dalton, Citizen Representative M. Lambert.

Absent at ROLL CALL: Councillor Gondek (joined at 9:57 a.m.)

2. OPENING REMARKS

Councillor Woolley announced that Citizen Representative M. Dalton will not continue another term with the Audit Committee and on behalf of the Audit Committee, thanked him for his valuable contribution.

3. CONFIRMATION OF AGENDA

Moved by Citizen Representative Dalton

That the Agenda for the 2020 September 17 Regular Meeting of the Audit Committee be confirmed.

MOTION CARRIED

4. CONFIRMATION OF MINUTES

4.1 Minutes of the Regular Meeting of the Audit Committee, 2020 July 23

Moved by Citizen Representative Dalton

That the Minutes of the 2020 July 23 Regular Meeting of the Audit Committee be confirmed.

MOTION CARRIED

5. CONSENT AGENDA

5.1 DEFERRALS AND PROCEDURAL REQUESTS

None

5.2 BRIEFINGS

None

6. POSTPONED REPORTS

None

7. ITEMS FROM OFFICERS, ADMINISTRATION AND COMMITTEES

7.1 Strategic Update for Finance - Budgeting and Risk (Verbal Presentation), AC2020-1022

A presentation entitled "Strategic Outlook for Finance – Budgeting and Risk AC2020-1022," dated 2020 September 17, was electronically distributed with respect to Verbal Report AC2020-1022.

City Manager D. Duckworth joined the meeting in person at 10:10 a.m.

Moved by Citizen Representative Dalton

That with respect to Verbal Report AC2020-1022, the following be approved:

That the Audit Committee receive the presentation for the Corporate Record.

MOTION CARRIED

7.2 SAVE Program Preliminary Results and Actions (Verbal Presentation), AC2020-1048

A presentation entitled "AC2020-1048: Solutions for Achieving Value and Excellence (SAVE) Program Preliminary Results and Actions," dated 2020 September 17 was electronically distributed with respect to Verbal Report AC2020-1048.

Moved by Councillor Colley-Urquhart

That with respect to Verbal Report AC2020-1048, the following be approved:

That the Audit Committee receive the presentation for the Corporate Record.

MOTION CARRIED

8. ITEMS DIRECTLY TO COMMITTEE

8.1 REFERRED REPORTS

None

8.2 NOTICE(S) OF MOTION

None

9. URGENT BUSINESS

None

10. CONFIDENTIAL ITEMS

Pursuant to Section 6(1) of the Procedure Bylaw 35M2017, Section 78.2(a) be suspended, by General Consent, to allow Committee to complete the remainder of today's Agenda prior to the scheduled lunch recess.

Moved by Councillor Farkas

That pursuant to Section 24 (Advice from officials) of the *Freedom of Information and Protection of Privacy Act*, Committee move into Closed Meeting, at 12:06 p.m. in the Council Boardroom, to consider confidential matters with respect to the following items:

- 10.1.1 Audit Forum (Verbal), AC2020-0916;
- 10.1.2 External Auditor (Verbal), AC2020-0917; and
- 10.1.3 City Auditor (Verbal), AC2020-0919.

And further, that Harman Gill, Erica Vervoort, and Ivana Cvitanusic, External Auditors (Deloitte LLP), be invited to attend the Closed Meeting.

MOTION CARRIED

Committee reconvened in public meeting at 12:32 p.m. with Councillor Woolley in the Chair.

ROLL CALL

Councillor Woolley, Councillor Farkas, Councillor Gondek, Citizen Representative L. Caltagirone, and Citizen Representative M. Lambert.

Moved by Councillor Gondek

That Committee rise and report.

MOTION CARRIED

10.1 ITEMS FROM OFFICERS, ADMINISTRATION AND COMMITTEES

10.1.1 Audit Forum (Verbal), AC2020-0916

People in attendance during the Closed Meeting discussions with respect to Report AC2020-0916:

Clerks: K. Martin and D. Williams. Advice: L. Ormsby, C. Male, L. Tocher, and T. Rathie. Law: None. Observers: C. Smillie.

External Advice: Erica Vervoort, Ivana Cvitanusic and Harman Gill, External Auditor (Deloitte)

Moved by Councillor Farkas

That with respect to Report AC2020-0916, the following be approved:

That the Audit Committee direct the Closed Meeting discussions remain confidential pursuant to Section 24 (Advice from officials) of the *Freedom of Information and Protection of Privacy Act*.

MOTION CARRIED

10.1.2 External Auditor (Verbal), AC2020-0917

No report was given.

10.1.3 City Auditor (Verbal), AC2020-0919

No report was given.

10.2 URGENT BUSINESS

None

11. ADJOURNMENT

Moved by Councillor Farkas

That this meeting adjourn at 12:34 p.m.

ROLL CALL

Councillor Woolley, Councillor Farkas, Citizen Representative L. Caltagirone, and Citizen Representative M. Lambert.

MOTION CARRIED

The next Regular Meeting of the Audit Committee is scheduled to be held on 2020 October 22 at 9:30 a.m.

CONFIRMED BY COMMITTEE ON

CHAIR

ACTING CITY CLERK

**Law and Legislative Services Report to
Audit Committee
2020 October 22**

**ISC: UNRESTRICTED
AC2020-1121
Page 1 of 3**

2020 Law Report

RECOMMENDATION(S):

That the Audit Committee recommend that Council receive this report for information.

HIGHLIGHTS

- Law supports the delivery of services to citizens by addressing the corporation's legal, insurance and claims needs, and through its contribution to corporate strategic decision making.
- Following completion of the Legal Services' ZBR in Q1 2020, resources were devoted to initiating action on the Council adopted recommendations. After completing a program plan, the primary focus was on a review of the Legal Services organizational structure to support a shift toward a modernized, nimble and agile service able to support corporate needs, drive value for citizens and deliver services more efficiently and effectively. Steps were also taken to commence work on a technology strategy.
- Building on the City Council and Administrative Leadership Team discussions, the Law Leadership Team has initiated work with members of the Integrated Risk Management portfolio to facilitate discussions with all members of Law about corporate risk tolerance to promote increased awareness and understanding, and intentionally integrate the consideration of corporate risk tolerance into the service we deliver. The objective is to improve the support of informed corporate decision making within acceptable corporate risk tolerance.
- COVID-19 introduced a number of unique challenges and risks to citizens and the corporation. Members of Law responded to the need for expert legal and insurance advice on unprecedented matters including state of local emergency considerations, bylaw requirements, labour and employment matters, corporate COVID-19 strategy and response, and governance issues.
- Through its involvement with every service delivered to citizens by the corporation, Law is well positioned to support informed decision making and the resolution of issues across the corporation;
- Background and Previous Council Direction is included as Attachment 1.

DISCUSSION

Law provides or contributes to the provision of four services as identified in One Calgary:

- Legal Counsel and Advocacy;
- Insurance and Claims;
- Executive Leadership (through the City Solicitor and General Counsel's service as a member of the Administrative Leadership Team (ALT) and Executive Leadership Team (ELT))
- Corporate Governance

Members of Law provide advice, support and services to the Mayor and Members of Council, the City Manager, General Managers, Directors, and employees throughout the corporation of

2020 Law Report

The City of Calgary. Their goal is to help clients achieve outcomes on time, on budget and within acceptable risk tolerances.

Legal Services

City lawyers represent clients in legal proceedings involving The City. They also support delivery of services to customers, drafting legal documents, advising on legal and regulatory requirements, the identification of issues and risk to support informed decision-making, and developing solutions and strategies. The ability to effectively deliver these services is aided by Legal Services' high visibility in the corporation achieved in part through:

- The City Solicitor & General Counsel's service as a member of the Executive Leadership Team, Administrative Leadership Team and participation at all regular and strategic Council meetings and public hearings;
- Participation of the City Solicitor & General Counsel's designate at public hearings;
- Involvement with Council Committee meetings and on many corporate and cross-departmental projects ;
- Executive Steering Committee member for various major corporate projects; and
- Involvement on cross-corporate teams and projects including Infrastructure Calgary, strategic growth and regional servicing, One Calgary, Green Line, Event Centre and BMO Centre.

Attachment 2 outlines continuous service improvement initiatives in Legal Services. Information about litigation trends and related matters can be shared during a closed session discussion.

Risk Management and Claims

Law's Risk Management and Claims Division delivers insurance and claims services to help customers identify, address and manage risk, manage The City's civic insurance program and work with the members of Legal Services to recover costs associated with damage caused to City assets. They also provide an avenue for citizens should they wish to submit a claim to The City. A detailed Insurance and Claims' Service report is included in Attachment 3.

Corporate Issues Management (CIM) Program

Per the Recommendations of Report AC2020-0297, adopted by Audit Committee and City Council, a review of the CIM program is underway, and is expected to be concluded in Q1 2021.

STAKEHOLDER ENGAGEMENT AND COMMUNICATION (EXTERNAL)

- ☐ Public Engagement was undertaken
- ☒ Public Communication or Engagement was not required
- ☐ Public/Stakeholders were informed
- ☐ Stakeholder dialogue/relations were undertaken

IMPLICATIONS

Social

N/A

**Law and Legislative Services Report to
Audit Committee
2020 October 22**

**ISC: UNRESTRICTED
AC2020-1121
Page 3 of 3**

2020 Law Report

Environmental

N/A

Economic

N/A

Service and Financial Implications

No anticipated financial impact

RISK

A properly resourced Law business unit reduces legal, financial and reputational risk and exposure for The City in litigation and in other matters pertaining to The City. Law acts as a strategic partner supporting collaboration to achieve a common purpose, working differently to meet the changing needs of The City and citizens, and innovating by challenging the status quo.

ATTACHMENT(S)

1. Previous Council Direction, Background
2. Legal Services 2020 Report
3. Risk Management and Claims 2020 Report

Department Circulation

General Manager	Department	Approve/Consult/Inform
Jill Floen	City Solicitor & General Counsel	Approve
David Duckworth	City Manager	Inform

PREVIOUS COUNCIL DIRECTION AND BACKGROUND

Previous Council Direction / Policy

An annual legal compliance report was identified as a potential area of future focus in Attachment 2 to Report AC2005-06, Audit Committee Terms of Reference, considered by Council on 2005 March 7. Law has provided annual reports to Council since that time. Since 2014, information about insurance and claims matters, Corporate Security and Legal Services has been consolidated into one annual report from Law.

In previous years Law and Corporate security provided annual reports together. In 2020 Law and Corporate Security became separate Business Units but felt it was best to continue to report to Audit Committee.

Background

Authorizing environment:

City Solicitor and General Counsel Bylaw 48M2000 establishes the position of City Solicitor and General Counsel as a designated officer, provides that the City Solicitor and General Counsel reports to the City Manager, and outlines the following powers, duties and functions for the City Solicitor and General Counsel:

- to initiate, prosecute, maintain or defend any action, claim or other proceeding deemed in the best interest of The City;
- to settle any action, claim or other proceeding provided the amount does not exceed \$250,000;
- to retain outside counsel when the City Solicitor and General Counsel deems it to be in the best interest of The City; and
- to report to Council on any legal matter where in the City Solicitor and General Counsel's independent judgment a Council decision is necessary.

Legal Services Report – 2020

Service Improvement Initiatives:

In Q1 2020 Council adopted the 6 Recommendations and 23 Actions contained in the Legal Services ZBR. Work to advance the Recommendations is underway including the development of a ZBR Program Plan, review of the organizational structure and alignment of legal practices and operations, and initial steps to create a technology strategy. Other milestones include:

- Selection of a permanent City Solicitor & General Counsel;
- Formation of a Team focused on the Business of Law;
- Completion of Phase 1 of '*the redesign of the service's operating model*';
- Commencement of work to update Legal Services' business strategies and performance measures; and
- Implemented technology enhancements to better support staff generally and to facilitate a remote working environment, enabling the successful delivery of legal service despite the challenges presented by COVID-19.

This ground work is instrumental to the success of Legal Services' commitment to "build a more resilient, scalable and effective operation" per the ZBR report. Future work will focus on refining services to ensure the delivery of the ***right service at the right time for the right value***.

Legal Services Highlights:

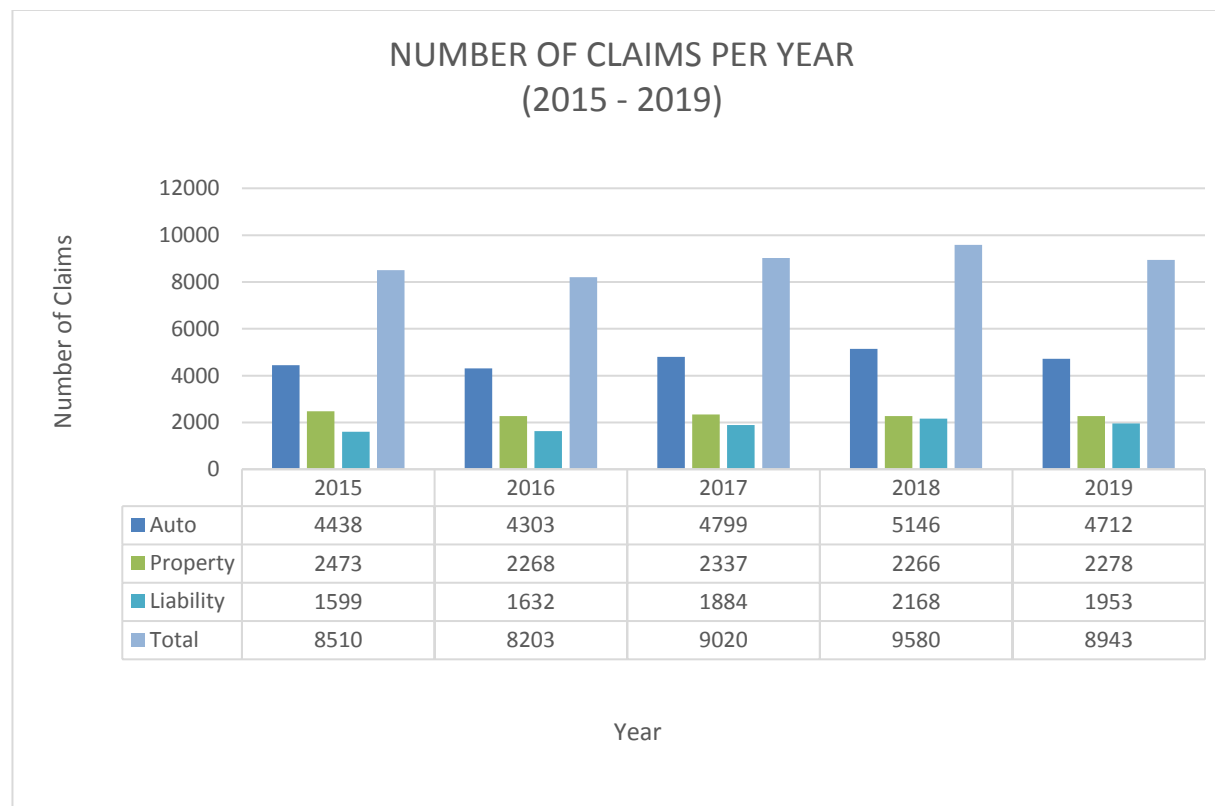
- Involvement within new and emerging issues and projects such as Municipal Tribunals, Digital Technology (i.e. MyFare app), Bankruptcy and Insolvency;
- Continued support work on complex issues such as conversion therapy;
- Responding to the continually evolving issues related to COVID-19, including:
 - Ongoing Provincial Legislation Changes;
 - Enforcement;
 - State of Local Emergency;
 - Face Covering Bylaw;
 - Labour and employment considerations;
- Greenline support;
- Continued involvement with infrastructure funding and growth & change strategy
- Delivering legal support for new and emerging areas of law affecting the corporation and the services delivered to citizens
- Collaborating with clients to prioritize workloads and focus service delivery in response to changing resources and increasing volume, velocity and complexity of work
- Lawyers continue to develop insight and expertise into client business, enabling the delivery of expert advice and support for services delivered to citizens
- Managers conduct one on one meetings with members of the Corporate Management Team (CMT) to gain current and improved insight into client needs and continually improve service value
- Training between lawyers and clients to promote mutual understanding of issues facing the corporation and potential tools to address

INSURANCE AND CLAIMS SERVICES REPORT – 2020

The Risk Management and Claims Division of Law acts as the corporation's insurance company, providing insurance and claims services for all of its operations. This Division monitors the operational risks of The City and associated boards and authorities to determine cost-effective solutions to eliminate, reduce, manage, transfer or insure such risks and to manage the adjustment of claims either brought forward by the public or the corporation, in a fair and equitable manner.

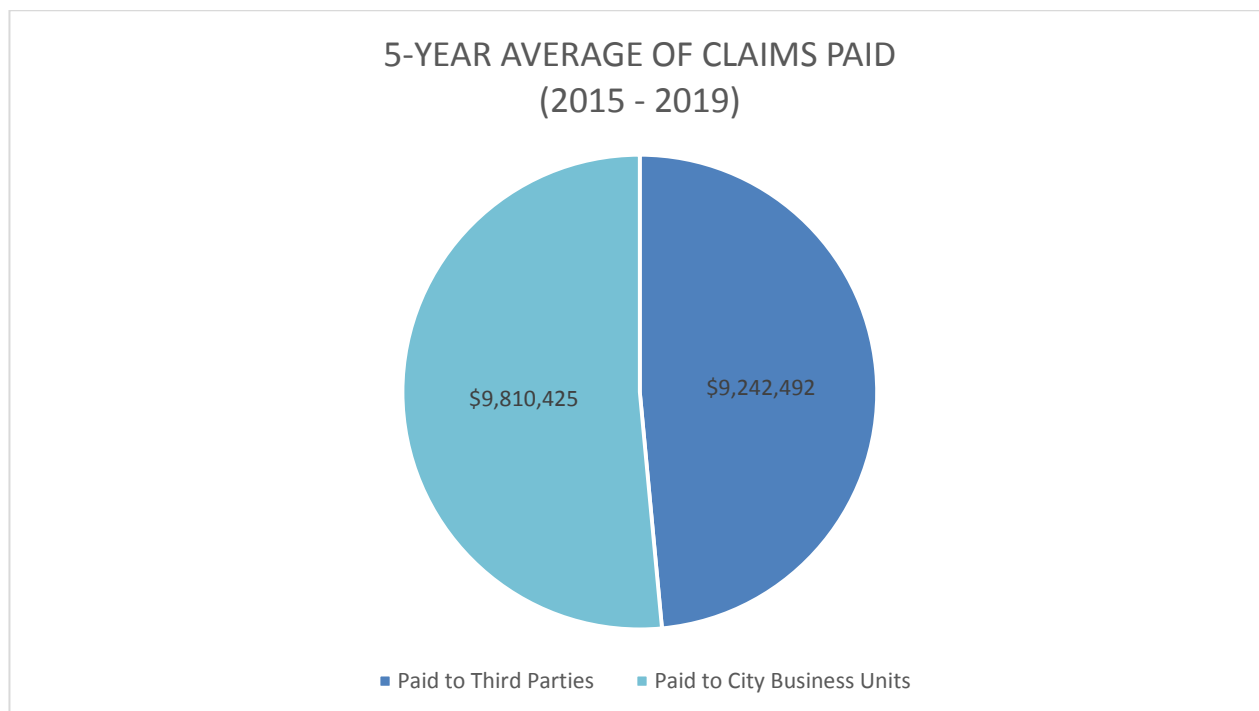
AUTOMOBILE, PROPERTY AND LIABILITY LOSSES

- **Automobile** claims are any claims involving City-owned vehicles. This can be a City vehicle involved in a motor vehicle accident with a third party or a City vehicle colliding with an object.
- **Liability** claims are claims where there is an allegation that The City caused damage to a third party, excluding automobile liability.
- **Property** claims are damage to City-owned properties, such as a fire in a City building, and includes damages caused by a third party, such as a private vehicle striking a guard rail.



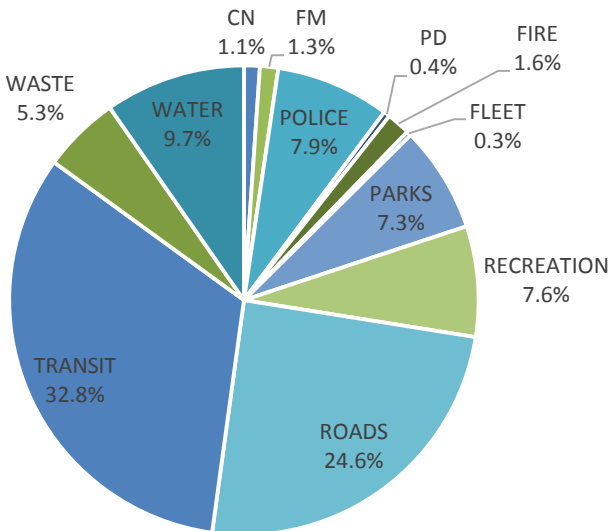
This graph illustrates the total number of claims for and against The City.

NUMBER OF CLAIMS BY BUSINESS UNIT	
BUSINESS UNIT	5-YEAR AVERAGE
Calgary Neighbourhoods	94
Facility Management	108
Calgary Police Service	675
Planning & Development	37
Fire Department	140
Fleet Services	27
Parks	629
Recreation	655
Roads	2,117
Calgary Transit	2,820
Waste & Recycling Services	457
Water Services	832

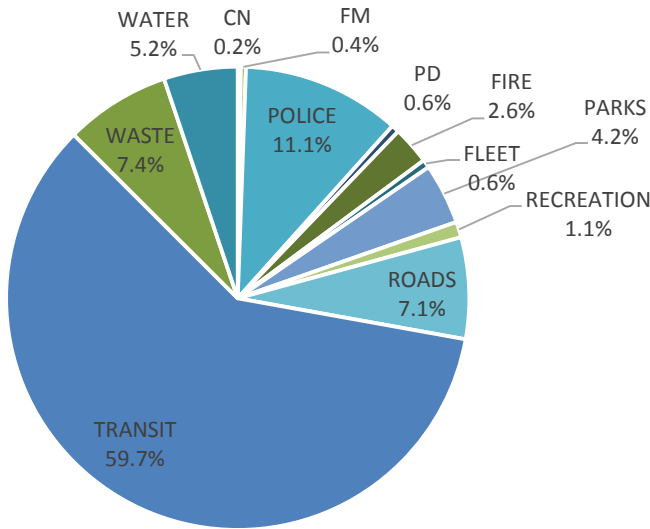


The five-year average of claims paid to third parties is \$9,242,494 and the average paid to City business units is \$9,810,425. All claims are investigated in a fair and equitable manner and The City may provide compensation if negligence on the part of The City is proven.

PERCENT OF TOTAL REPORTED CLAIMS BY BUSINESS UNIT (2015 - 2019)

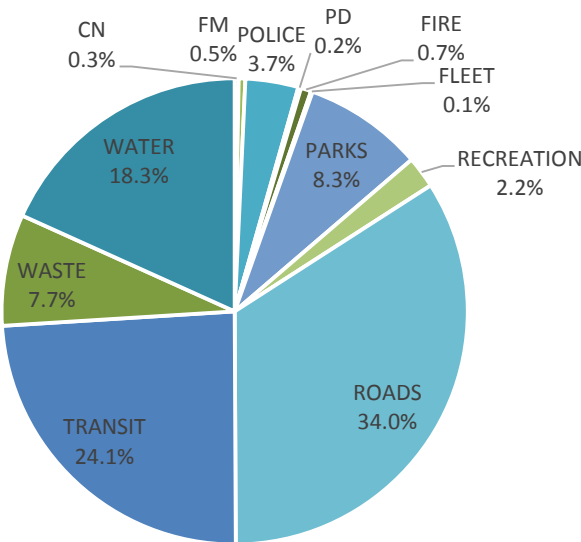


PERCENT OF AUTOMOBILE CLAIMS BY BUSINESS UNIT (2015 - 2019)



NOTE: Automobile claims are any losses involving City-owned vehicles, regardless of fault. This can be a City vehicle involved in a motor vehicle accident with a third party or a City vehicle colliding with an object.

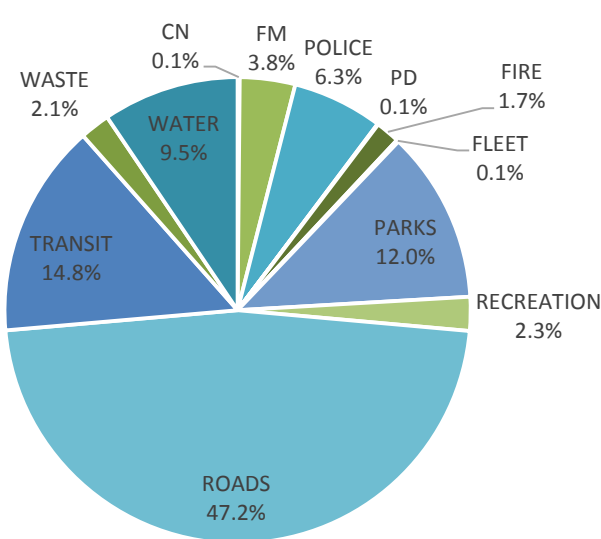
PERCENT OF LIABILITY CLAIMS BY
BUSINESS UNIT (2015 - 2019)



NOTE: Liability claims are claims where there is an allegation that The City caused damage to a third party, excluding automobile liability.

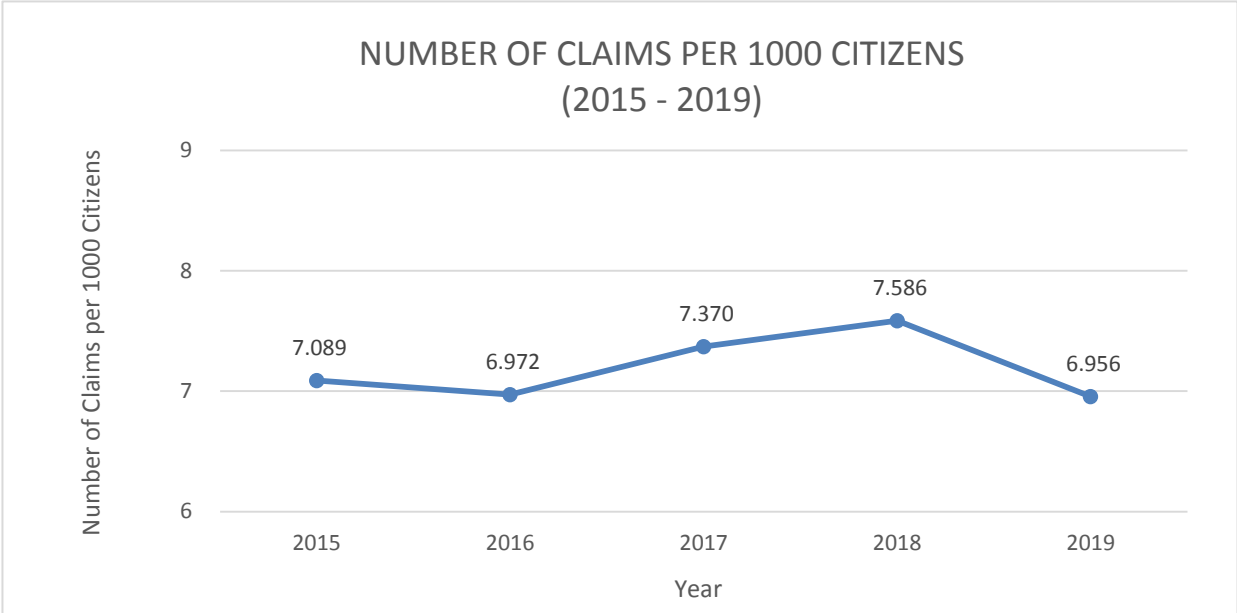
Examples: slip & fall, potholes, sewer back-ups, water main breaks, etc.

PERCENT OF PROPERTY CLAIMS BY
BUSINESS UNIT (2015 - 2019)

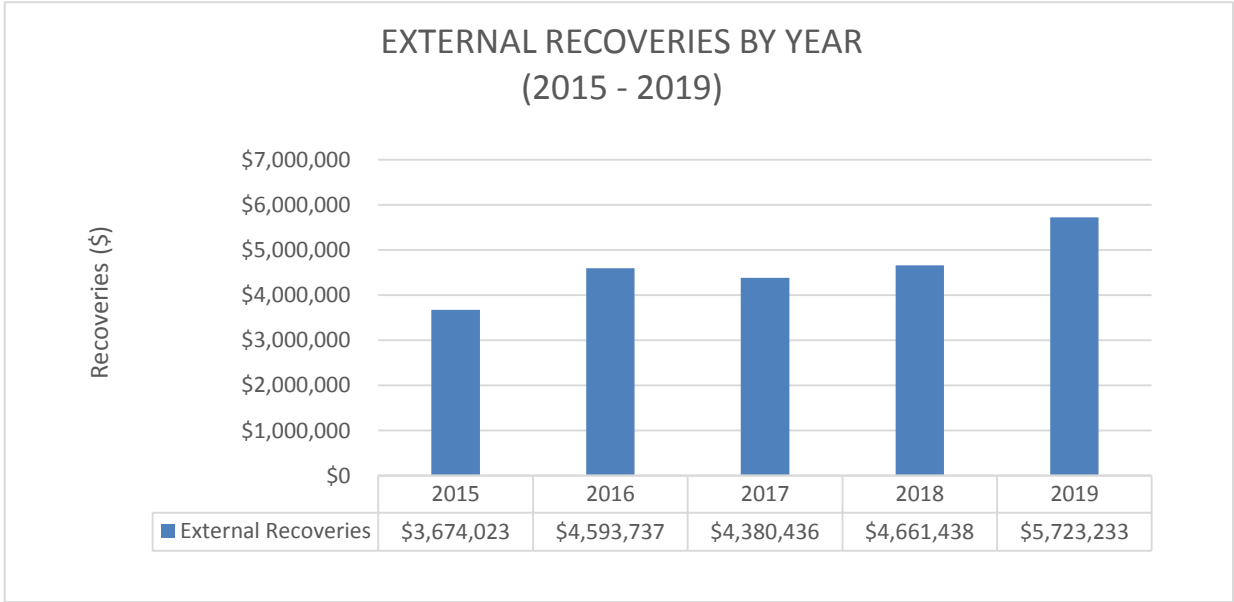


NOTE: Property claims are any losses involving City-owned properties and assets.

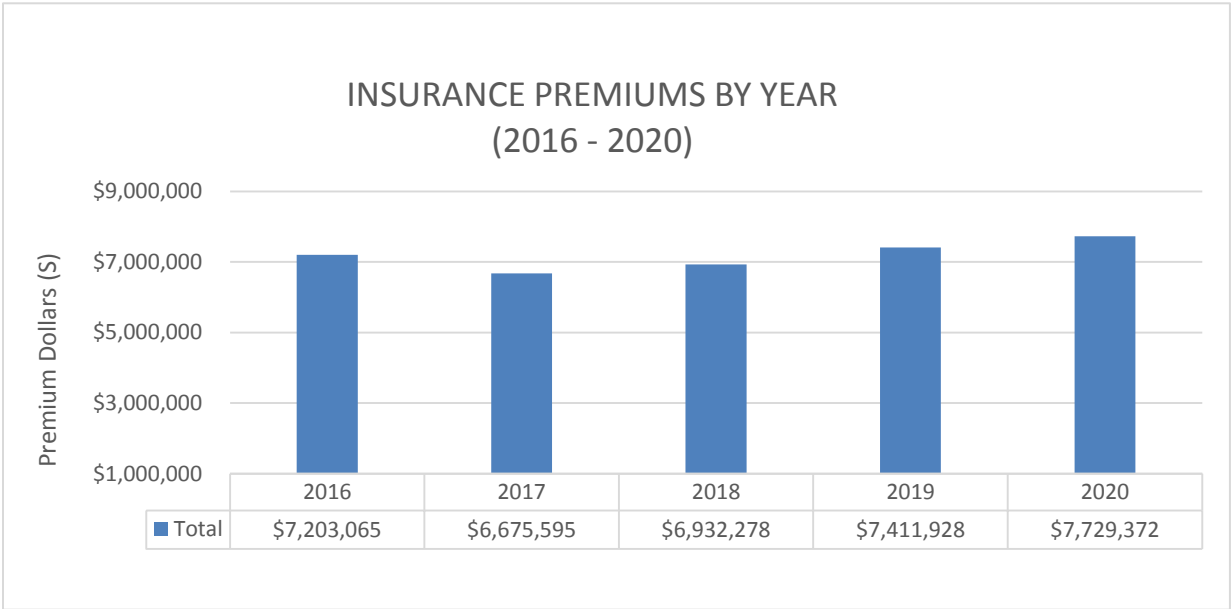
Examples: fire, theft, vandalism, hail, etc.



This graph compares the number of claims per year against The City’s total population (in thousands). The overall population statistic is taken from the [2019 Census Report](#). With the population increasing by 18,367 and the total number of claims decreasing by 671, the average number of claims per citizen has decreased from 2018 to 2019 as shown above.



This graph illustrates the recoveries collected each year from external parties who have caused damage to City-owned property. Every effort is made to pursue responsible parties, either through direct contact with individuals or through their insurance companies. The increase in recoveries in 2019 was primarily due to insurers reimbursing The City for the Fairview Arena claim.



The City purchases insurance to protect against large, unpredictable events. This includes purchasing coverage for general liability and property losses. The premium for the insurance program is shown in the graph above. The total insured value of City-owned property as of January 1, 2020 was \$11,294,564,711.

**Community Services Report to
Audit Committee
2020 October 22**

**ISC: UNRESTRICTED
AC2020-1049
Page 1 of 5**

Civic Partner Audit Report

RECOMMENDATIONS:

That the Audit Committee recommend that Council:

1. Receive this report for the Corporate Record; and
2. Direct that Attachments 3, 5 and 6 remain confidential pursuant to Sections 16 (Disclosure harmful to business interests of a third party), 23 (Local public body confidences), and 24 (Advice from officials) of the *Freedom of Information and Protection of Privacy Act*, to be reviewed 2026 October 22.

HIGHLIGHTS

- The Civic Partner Audit Report presents the results of an annual financial review of Civic Partners that evaluates The City's exposure to risk related to Civic Partners and rates these organizations as low risk, elevated risk, or high risk. The process is one aspect of a broader accountability framework, and it assesses the overall financial health of Civic Partner organizations and provides an opportunity to work with partners as needed to improve their financial health.
- *What does this mean to Calgarians?* The City invests significant operating and capital funding in Civic Partners, and they manage and operate valuable City-owned community assets. The review of audited financial statements helps identify The City's potential financial exposure and risks, enhances accountability, and provides an opportunity to understand the current state of Civic Partners' operations. Information about organizations' governance and risk management practices helps identify if the necessary structures and processes are in place to be sustainable and effective.
- *Why does this matter?* Reviewing a Partner's financial health, risk management and governance practices reduces risks inherent in partnering, and provides opportunities to assess and address organizational sustainability.
- Based on 2019 audited financials, the majority of Civic Partners were rated as low risk in 2019. Administration is working with the remaining four partners rated as elevated risk and one rated as high risk to confirm mitigation strategies are in place and provide support where appropriate.
- To provide insight into Civic Partners' organizational health, highlights of partners' governance and risk management practices are included in this report, and detailed self-reported information from partners is included in Attachment 6 (confidential).
- This report usually comes before Audit Committee in Q2 each year, however it was delayed due to COVID-19. Due to the timing of the report, and significant impact of COVID-19 on Civic Partner financial health and operations, some information about the impact of COVID-19 in 2020 is included in this report and partner templates included in Attachment 6. The full review of 2020 audited financial statements will take place in Q2 2021.
- Top risks that were most frequently reported by Civic Partners included financial risk (including as it relates to the impact of COVID-19), operational risks specific to each partner operation, and talent management and retention risk.
- Governance practices continue to evolve, with all Partners focused on improvements in key areas. Diversity practices in operations and governance continue to evolve, with more Partners reporting approved policies or practices in place or plans to undertake this work in 2020.

**Community Services Report to
Audit Committee
2020 October 22**

**ISC: UNRESTRICTED
AC2020-1049
Page 2 of 5**

Civic Partner Audit Report

- 2019 June 17 Council adopted AC2019-0472 Civic Partner Audit Report recommendations as follows: 1. Receive this report for information; and 2. Direct that this report and Attachments 2, 4 and 5 remain confidential under Sections 23(1) (b), 24(1)(b), and 16(1) of the *Freedom of Information and Protection of Privacy Act* (Alberta) until such time as six years from this date.
- Strategic Alignment to Council's Citizen Priorities: A well-run city
- Background and Previous Council Direction is included as Attachment 1.

DISCUSSION

By working in partnerships, The City benefits from partners' knowledge and expertise, and ability to leverage and multiply The City's investment to meet the needs of Calgarians. Civic Partners manage and operate over \$865 million in City-owned assets, and in 2019, The City invested over \$100 million in operating funding, and over \$12.5 million in capital funding.

To mitigate risk, partnerships are structured to steward public investment appropriately and this report is one component of a broader accountability framework for Civic Partners. Following Council direction in 2012, Administration has brought forward a Civic Partner Audit Report every year since 2013. "Partnership Risk" is also one of The City's 17 Principal Corporate Risks that is monitored and reported twice a year to Council (AC2020-0711).

Financial review process

The annual financial review process evaluates The City's exposure to risk related to Civic Partners, assesses the overall financial health of Civic Partner organizations, and provides an opportunity to work with partners as needed to improve their financial health. The process follows established criteria and ratios that evaluates operating cash on hand, working capital/cash expenses, deficit level, and reserves, among other items. The same financial review tool is also used to review community associations and social recreation groups with a Lease or License of Occupation.

Based on the criteria, Partners are assigned a rating of low risk, elevated risk, or high risk (definitions are included in Attachment 2).

Based on 2019 audited financials, the majority of Civic Partners are financially stable with 23 rated as low risk, four rated as elevated risk, and one rated as high risk. Ratings for all organizations reviewed are included in Attachment 3 (confidential).

Civic Partner organizations are arms-length and separate entities from The City. In addition to their accountability to The City, they are accountable to their boards of directors, patrons and customers, partners, members, and funders. When a Civic Partner is rated as elevated or high risk during the financial review process, Administration works with them to identify mitigation strategies that can be implemented to improve the organization's financial health and reduce The City's exposure to risk. Attachment 5 (confidential) provides a summary of risk mitigation strategies for the organizations rated as elevated and high risk.

Detailed, self-reported information from Civic Partners about board governance, talent and culture including compensation and evaluation, and policies and practice including risk management is included in Attachment 6 (confidential). The following are some highlights:

Risk management: Civic Partner organizations have a range of risk management practices in place to effectively manage their unique operating and strategic risks. Each organization engages

Civic Partner Audit Report

their board in this work, and is working to create a culture of risk management. While top strategic risks vary depending on the nature of partner operations, the most commonly reported for 2019 included:

- **financial risk** related to economic uncertainty in 2019 and previous years, and the need to adapt and diversify revenue streams, reduce expenses and adjust operating and business models. Funding challenges connected to this risk included reduced sources of revenue such as corporate sponsorships, donations, grants, and earned revenues. A number of partners identified changing government priorities that impact investments.
- **infrastructure risks** related to maintenance or replacement of aging infrastructure, and impact of lower revenues on capital programs.
- **operational risks** specific to partner operations including ability to meet the needs of changing demographics and changing community needs, and shifts in structures and future business and revenue generation models.
- **talent management and retention:** Given ongoing economic uncertainty and challenges, many partners have reduced their workforce, creating potential gaps in skills and experience. Those with increased demand and financial constraints pointed to increased workloads, and staff fatigue. Smaller organizations and those with focused programming noted a risk related to losing senior staff, and the related loss of organizational knowledge and sector-specific expertise.

Governance: It is the responsibility of each Civic Partner organization's board of directors to oversee and strategically guide the organization. Strong governance practices can help ensure an organization is sustainable and manages risk appropriately.

Across the non-profit sector, there is evolving understanding and changing practices to recognize and integrate diversity into governance structures and address racism. While strategies to improve gender representation has been a focus for a number of years, diversity has come to be defined more broadly to include identity diversity (i.e. gender, race, ethnicity, age, sexual orientation) and cognitive diversity (i.e. skills, perspectives, thoughts). All Civic Partners report examples of how they are integrating diversity practices into their governance and operations, but they vary in stages of development. In 2019, The City offered opportunities for Civic Partners to participate in training about Gender Based Analysis Plus (GBA+), and unconscious bias. Looking ahead, as practices in the broader non-profit sector and government evolve, Administration will continue to support opportunities for Civic Partners to refine their approaches to diversity as appropriate.

Information in this report is complimented by CPS2020-1051 Civic Partner Annual Report to the Standing Committee on Community and Protective Services on October 20, 2020.

STAKEHOLDER ENGAGEMENT AND COMMUNICATION (EXTERNAL)

- ☐ Public Engagement was undertaken
- ☒ Public Communication or Engagement was not required
- ☒ Public/Stakeholders were informed
- ☒ Stakeholder dialogue/relations were undertaken

Civic Partner Audit Report

Administration worked collaboratively with Civic Partners on this report and partners self-reported their governance and risk management practices (Attachment 6). As part of the review process, Administration communicates with each organization to inform them of their rating, and discuss issues and potential mitigation as required.

IMPLICATIONS

Social

Civic Partners lead and support implementation of *Enough for All 2.0* poverty reduction strategy, and provide valuable recreation, sport and cultural opportunities for Calgarians in alignment with The City's *Sport for Life* Policy, and a *Cultural Plan for Calgary*. They foster healthy physical and social environments and enrich the social fabric of Calgary and support a high quality of life.

Environmental

Through the Civic Partner Asset Management Program and internal organizational programs, Civic Partners continue to review and adjust their operational practices to reduce consumption of resources and their ecological footprint. They promote conservation, environmental stewardship and community sustainability strategies including public education and awareness related to public spaces and natural resources.

Economic

Guided by *Calgary in the New Economy*, the Council-approved economic strategy stewarded by Calgary Economic Development, many Civic Partners contribute to economic development in Calgary through related strategies and activities including the *Enough for All* poverty reduction strategy, *Destination Strategy*, *Living a Creative Life*, and convention centre services. The City's allocation of operating and capital funding to Civic Partner operations are strategic investments that create a diverse range of facilities and programs for Calgarians and visitors to enjoy. The City's investment in Civic Partner operations are multiplied and leveraged by Civic Partners through resources and funding.

Service and Financial Implications

Civic Partner 2019 operating grant funding

\$107,483,889

The base operating funding for Civic Partners included in One Calgary allows the organizations to extend and compliment The City's service delivery under the following eight lines of service: Economic Development and Tourism, Library Services, Arts and Culture, Affordable Housing, Community Strategies, Parks and Open Spaces, City Planning and Policy, and Recreation Opportunities.

RISK

Partnership-related risks are associated with any circumstance in which a third-party organization operating a City-owned facility defaults or ceases operations. In these cases, responsibility for the building's capital costs to ensure building safety for a new tenant or the public may fall on The City. Dependant on the circumstances, the operating costs of the facility may also be The City's responsibility. In addition, Calgarians would be negatively impacted through a loss or decrease in programs and/or services. Administration works closely with its Civic Partners to develop and implement strategies to mitigate these risks.

**Community Services Report to
Audit Committee
2020 October 22**

**ISC: UNRESTRICTED
AC2020-1049
Page 5 of 5**

Civic Partner Audit Report

ATTACHMENTS

1. Previous Council Direction & Background
2. Definition of Rating Terms
3. Civic Partner 2019 Audit Ratings (Confidential)
4. Civic Partner Grant Funding 2017-2020
5. Civic Partner Risk Mitigation Strategies (Confidential)
6. Self-Reported Governance and Risk Management Practices (Confidential)

Department Circulation

General Manager	Department	Approve/Consult/Inform
Not applicable		

Previous Council Direction & Background

The following is a summary of previous Council Direction related to the Civic Partners Audit Report.

Context

This report is one aspect of a broader accountability program that summarizes the results of an annual financial review of Civic Partners and their wholly owned subsidiaries to evaluate The City's exposure to risk related to Civic Partners and rates these organizations as low risk, elevated risk, or high risk; assesses the overall financial health of Civic Partner organizations; and provides an opportunity to work with partners as needed to improve their financial health.

Previous Council Direction

The following is a summary of previous Council direction related to the Civic Partner Audit Report.

Civic Partners Audit Report History

DATE	REPORT NUMBER	DIRECTION/DESCRIPTION
6/17/2019	AC2019-0472	Civic Partner Audit Report That Audit Committee recommends that Council: 1. Receive this report for information; and 2. Direct that Attachments 2, 4 and 5 remain confidential under Sections 16, 23, and 24 of the Freedom of Information and Protection of Privacy Act until 2025 April 23.
5/28/2018	AC2018-0409	Civic Partner Audit Report That Council adopt recommendations contained in AC2018-0409 as follows 1.Receive this report for information; and 2.Direct that this report and Attachments 2, 4 and 5 remain confidential under Sections 23(1) (b), 24(1)(b), and 16(1) of the Freedom of Information and Protection of Privacy Act (Alberta) until such time as six years from this date.
1/29/2017	AC2017-1149	Status of Community Associations and Social Recreation Organizations on City Owned Land Attachment 6 of the report informed Council that five organizations would be moving to the Civic Partner Audit report starting with the 2017 financial year: The Calgary Young Men's Christian Association, North East Centre of Community Society (Genesis Centre), Nose Creek Sports and Recreation Association (Vivo), South Fish Creek Recreation Association (Cardel South), and Westside Regional Recreation Centre.
5/8/2017	AC2017-0367	Civic Partner Audit Report 1.Receive the report for information; and 2. Direct that the report and all attachments remain confidential pursuant to Sections 23(1)(b), 24(1)(b), and 16(1) of the Freedom of Information and Protection of Privacy Act (Alberta) until such time as six years from this date.

DATE	REPORT NUMBER	DIRECTION/DESCRIPTION
7/19/2012	AC2012-0493	<p>Status of Third Party Organizations Operating Not-for-Profit Facilities on Land Owned by The City of Calgary</p> <p>Audit Committee approved that recommendations contained in AC2012-0493 be approved after amendment, as follows: Receive the report for information; Direct that Attachments 2 and 3 remain confidential under Sections 23(1)(b), 24(1)(a), 24 (1)(g) and 25 (b)(c)(ii) of the Freedom of Information and Protection of Privacy Act (Alberta) until such time as six years from this date; and direct Administration to continue to report to the Audit Committee on the status of community associations and social-recreation organizations, while preparing a separate annual report to the Audit Committee on all Civic Partners (including those on City-owned land and otherwise), commencing in the third quarter of 2013 annually.</p>
1/19/2006	AC2006-02	<p>Status of Third Party Organizations Operating Not-for-Profit Facilities on Land</p> <p>Recommendations approved as follows: Direct Administration to expand the report to include all third party organizations with facilities on City-Owned land that Community Services & Protective Services liaises with, and include financial exposure as it relates to an evaluation of liabilities exceeding assets available to satisfy these liabilities.</p>

Bylaws, Regulations, Council Policies

Investing in Partnerships Policy (CPS2017-01)

The *Investing in Partnerships Policy* classifies City of Calgary partners into categories that drive accountability and other requirements. Civic Partners are partners with are classified into two categories: Strategy Delivery, and Program and Service Delivery. The Policy supports a clear line of sight between The City's investment in a partnership and the results achieved; consolidated data to inform decision-making; greater effectiveness through clearer accountabilities, reporting, and risk management; and greater efficiency and cost-savings through improved knowledge transfer and reduced duplication of Administrative time and effort.

Definitions of Rating Terms

In reviewing financial statements and the financial practices of Civic Partner organizations, Community Services and Finance have taken the following into consideration.

Low risk: The organization is in a good overall financial position with sufficient working capital and healthy equity. The organization is showing no more than one unfavourable financial factor that is not considered to challenge the long term sustainability of the organization.

Elevated risk: The organization is in a position to meet its short term financial obligations; however, there is more than one risk indicator which creates concern in terms of the organization's long-term sustainability. The risk indicators may include:

- Low cash reserves: if revenues were interrupted, the cash in place is not sufficient to sustain beyond 30 days of regular operations;
- Current operational practices may not be sustainable: a large operating deficit or cumulative deficits threaten to eliminate the organization's reserves; or
- Insufficient reporting: an organization has submitted financial statements that missed critical financial information and have received a rating of "insufficient" for three consecutive years.

High risk: There are indicators that the organization may be unable to meet its short term financial obligations, either immediately, or in the near future. If financial health further deteriorates, there is a risk that the organization may be forced to cease all or a portion of its operations. The risk indicators may include:

- Financial Issues: absence of acceptable financial policies and procedures, inadequate financial reporting, low level of liquidity, insufficient unrestricted reserves, consecutive yearly deficits and problems with cash flow and/or budgeting;
- Governance issues: not operating within current bylaws and objectives or a lack of governance practices in place; or
- Risk management issues: inadequate risk management and internal controls procedures in place and/or non-compliance with City agreement.

Other:
Insufficient: Statements are missing critical financial information, e.g. Balance Sheet, Statement of Revenues and Expenditures; or comparative data or information is presented in a way that does not allow for analysis or rating.

Not Rated: Statements have been received and a rating will be assigned once analysis is complete.

Not Received: Statements have not been submitted by the organization.

Not Required: The terms of the legal contract with the organization do not include the submission of financial statements.

Auditors: Statements are currently being audited by the group or an independent organization.

Civic Partner Operating Grant Funding 2017-2020					
Organization Name	2017 Actual	2018 Actual	2019 Actual	2020 Grant Budget	* % of Partner Operating Revenue
Aerospace Museum Association of Calgary (The Hangar Flight Museum)	241,384	250,358	461,358	411,358	39%
Calgary Arts Development Authority Ltd. <i>One time funding</i>	6,150,000 3,000,000	6,400,000 -	12,040,000 -	13,140,000 -	98%
Calgary Centre for Performing Arts (Arts Commons)****	2,490,722	2,564,738	2,479,738	2,546,544	19%
Calgary Convention Centre Authority** (Calgary TELUS Convention Centre) <i>One time funding</i>	1,951,000	1,761,309 620,000	1,703,309 425,079	1,749,270	8%
Calgary Economic Development Ltd. <i>One time funding</i>	5,584,179 2,300,000	5,808,765 1,200,000	9,877,765	10,077,765	77%
Calgary Heritage Authority (Heritage Calgary)	-	175,000	193,000	343,000	52%
Calgary Public Library Board	47,233,447	51,874,814	52,457,720	50,327,720	79%
Calgary Science Centre Society (TELUS Spark)	2,133,247	2,212,562	2,139,562	2,197,327	14%
Calgary Sport Council Society (Sport Calgary)	445,718	462,210	462,210	444,265	76%
Calgary Technologies Inc.*** (Platform Calgary)	799,725	829,459	802,459	824,058	10%
Calgary Zoological Society	7,999,110	8,296,184	8,022,184	8,238,425	16%
Fort Calgary Preservation Society <i>One time funding</i>	1,106,443	1,222,210	1,109,210 100,000	1,139,097	32%
Heritage Park Society <i>One time funding</i>	3,002,165	3,113,787 600,000	3,494,787	3,614,787	18%
Lindsay Park Sports Society (Repsol Sport Centre)	1,348,620	1,398,762	1,352,762	1,389,180	11%
Opportunity Calgary Investment Fund Ltd.	-	445,048	632,699	1,101,576	100%
Parks Foundation, Calgary	200,000	-	193,000	193,000	24%
Silvera for Seniors	1,365,000	1,365,000	5,673,000	6,531,000	21%
Tourism Calgary - Convention and Visitors Bureau <i>Special Events Fund</i>	2,710,875	2,961,665	2,703,665 466,000	2,777,001 966,000	21%
Vecova Centre for Disability Services and Research	202,875	210,381	210,381	208,906	1%
VCC Initiatives Ltd. (Vibrant Communities Calgary)	500,000	500,000	484,000	484,000	60%
TOTAL	90,561,635	94,272,253	107,483,889	108,704,279	

*Per cent of a partner's total operating revenue funded by The City (based on 2019 financial statements)

**Excludes debt funded on behalf of partners

***CTI's year end was 2019 March 31

****Arts Commons' year end was 2019 August 31

Civic Partner Capital Grant Funding 2017-2020				
Organization Name	2017 Actual	2018 Actual	2019 Actual	2020 Grant Budget
Aero Space Museum of Calgary (The Hangar Flight Museum)	2,500	-	34,635	200,000
Calgary Mosquito Aircraft Preservation Society	64,441	32,831	41,383	30,617
Calgary Public Library Board	4,868,896	4,160,747	2,309,822	3,179,591
Calgary Convention Centre Authority (Calgary TELUS Convention Centre)	1,738,464	953,795	3,916,879	3,943,121
Calgary Science Centre Society (TELUS Spark)	283,705	-	21,420	450,000
Calgary Zoological Society	1,147,519	1,475,352	1,328,596	1,110,000
Calgary Zoological Society - Pandas and Lemurs	8,424,053	330,416	60,508	-
Calgary Centre for Performing Arts (Arts Commons)	2,104,832	7,069,480	1,555,993	2,990,000
Fort Calgary Preservation Society	380,749	330,042	72,715	150,000
Heritage Park Society	1,714,659	2,091,572	1,462,157	2,030,000
Lindsay Park Sports Society (Repsol Sport Centre)	697,347	596,915	497,652	475,000
Parks Foundation, Calgary	1,500,000	250,000	-	-
Silvera for Seniors	-	-	940,318	4,371,014
Vecova Centre for Disability Services and Research	-	-	267,157	-

Assessment Complaints Audit

RECOMMENDATIONS:

That the Audit Committee:

1. Receive this report for the Corporate Record; and
2. Recommend that Council receive this report for the Corporate Record.

HIGHLIGHTS

- Bylaw 30M2004 (as amended) established the position of City Auditor and the powers, duties and functions of the position. In accordance with Bylaw 30M2004 (as amended), the City Auditor reports the outcome of all audits to the Audit Committee (including Administration's response and corrective actions to be taken in regard to specific recommendations). The City Auditor is accountable to Council and subject to the oversight of Audit Committee under Bylaw 48M2012 (as amended).
- What does this mean to Calgarians? The City Auditor's Office provides independent and objective audit assurance services to add value to The City of Calgary and enhance public trust.
- Why does it matter? Assessment is responsible for preparing assessments for over 544,000 property owners with a total assessed value of \$301B. Increases in assessment complaints drive increased financial, reputational and operational risk. This audit concluded the processes that Assessment have implemented during 2019 and 2020 were effective in reducing the risk of increasing complaints. Two further improvements to processes are required to support Assessment's goal to further reduce the risk of increased complaints.
- Strategic alignment: Citizen Priority – A Prosperous City.

ATTACHMENTS

1. Assessment Complaints Audit – AC2020-1170 Attachment 1
2. Assessment Complaints Audit Presentation Slide – AC2020-1170 Attachment 2

DEPARTMENT CIRCULATION

Name	Title, Department or Business Unit	Approve/Consult/Inform
Katharine Palmer	City Auditor	Approve
David Duckworth	City Manager	Inform
Carla Male	Chief Financial Officer	Inform
Edwin Lee	Acting Director/City Assessor, Assessment	Inform



City Auditor's Office

Assessment Complaints Audit

October 14, 2020

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Table of Contents

Executive Summary	5
1.0 Background	7
2.0 Audit Objective, Scope and Approach	8
2.1 Audit Objective	8
2.2 Audit Scope.....	8
2.3 Audit Approach.....	8
3.0 Results.....	10
3.1 Prepare.....	11
3.1.1 Pre-Roll Consultation Period.....	11
3.1.2 Consideration of ARB Decisions in Roll Preparation	12
3.1.3 Notice of Assessment.....	13
3.2 Collaborate	13
3.2.1 Customer Review Period.....	13
3.3 Explain.....	14
3.3.1 ARB Hearing Preparation.....	14
3.3.2 Hearing Lessons Learned.....	15
3.3.3 Customer Strategy Group.....	15
4.0 Observations and Recommendations	17
4.1 Prior Year ARB Decisions.....	17
4.2 Lessons Learned Exercise	19

The City Auditor's Office conducted this audit in conformance with the *International Standards for the Professional Practice of Internal Auditing*.

Executive Summary

The Assessment Business Unit (Assessment) annually prepares property assessments for residential and non-residential properties within Calgary. For 2020, Assessment was responsible for preparing Notices of Assessment for over 544,000 property owners valued at \$301B, which represented 520,000 residential properties valued at \$215B and 24,000 non-residential properties valued at \$86B. Assessment's mandate is to "Prepare fair and equitable assessments that exceed industry and legislative standards; Collaborate with stakeholders to provide a high-quality product; Explain assessments with honesty, respect and transparency."¹

Each year, Assessment issues notices to property owners to review their property assessment for accuracy and fairness. If the property owner has a dispute with the assessment value, the first step is to speak to a City Assessor regarding any disagreement/questions/comments. If consensus cannot not be reached and the property owner still disagrees with the assessed value, a formal complaint² can be filed with the Assessment Review Board (ARB), an impartial tribunal that hears and resolves assessment complaints brought forward by property owners. The ARB will schedule a hearing to review evidence submitted by the parties and render a decision on the matter(s) under complaint.

In 2019, Assessment spent \$1.27M preparing and attending ARB hearings, an average cost of \$1,302 per hearing attended. Additional costs are involved in reviewing the Board decisions for each hearing. Property owners also incur costs filing complaints with ARB and attending hearings. In addition, there is a reputational impact to Assessment where it may appear to property owners that an ARB decision in favour of a complainant indicates a lack of confidence in the assessment process.

The objective of the audit was to assess the effectiveness of the processes that Assessment have implemented to minimize the risk of complaints increasing in volume. For the 2019 Assessment year, a total of 3,146 complaints were filed with ARB. The audit reviewed processes in operation during 2019 and 2020, which supported the preparation of the 2019 and 2020 Assessment Rolls.

Since 2017, Assessment have taken steps to reduce the volume of complaints on a year-over-year basis. The total number of complaints filed with ARB have fallen by 25% from 2017 to 2019. Assessment have updated their previous mandate of "Prepare, Communicate and Defend" property assessments to "Prepare, Collaborate and Explain", reflecting a more customer-centric and collaborative culture. A new Customer Strategy Group has been created to review customer touchpoints and lead initiatives focused on enhancing the customer experience.

Recent incremental changes to processes resulted in a reduction of complaints from 2017 to 2019 through all three sections of their current mandate; Prepare, Collaborate, and Explain. Process changes in the Pre-Roll Consultation Period, Notice of Assessment, Customer Review Period, and preparation for ARB hearings have all been effective in focusing on the property owner experience and therefore support Assessment's objectives of reducing the risk of increased complaints filed with ARB.

¹ 2020 Assessment Business Plan (*Approved on 2019 December 5*)

²Assessment's definition of a "complaint" is where a property owner files a complaint on their assessment with the Assessment Review Board (ARB).

Assessment's new processes have had a positive impact in reducing the number of complaints received, however, further improvement to processes, specific to formal assessment of prior year ARB decisions and evaluation of lessons learned have been identified that will support their goal to further reduce the risk of increased complaints. Assessment has agreed to both recommendations and has committed to set action plan implementation dates no later than December 11, 2020. The City Auditor's Office will follow-up on all commitments as part of our ongoing recommendation follow-up.

1.0 Background

The Assessment Business Unit (Assessment) annually prepares property assessments for residential and non-residential properties within Calgary. Assessment's mandate is to "Prepare fair and equitable assessments that exceed industry and legislative standards; Collaborate with stakeholders to provide a high-quality product; Explain assessments with honesty, respect and transparency".

Assessment is responsible for preparing assessments for over 544,000 property owners with a total assessed value of \$301B. Residential consists of 520,000 properties valued at \$215B with non-residential comprised of 24,000 properties valued at \$86B³.

The current economic environment and uncertainty has undoubtedly impacted The City's financial position as it continues to be agile and recover from the economic decline. Citizens and Businesses are also adversely impacted by the economic conditions, and anticipated increases to property taxes could have an impact on future complaints. The recent Citizen Satisfaction Survey⁴ results indicated 47% of respondents said the quality of life in Calgary has 'worsened' in the past three years, and 45% were supportive of cuts in services to maintain or reduce taxes.

Council sets the property tax rate based on the annual budget required to pay for services that benefit all Calgarians. Property taxes support essential services, such as, police, fire, transit, parks, recreation, social services and more.

Assessment follows guidance from the Municipal Government Act on how properties are assessed to determine the values for all properties. The Municipal Government Act requires all properties to be assessed annually, using mass appraisal techniques, to reflect the market value of properties as of July 1 of the previous tax year. This creates an Assessment Roll for a given year. The assessed value is multiplied by the municipal property tax rate, as approved by Council. The Provincial tax rate, based on the requisition by the Province, is also used in this calculation to arrive at the total taxes applied to each property account and is collected on behalf of the Province.

Annual property assessment notices are issued to all property owners in early January of the tax year and payment is usually due by June 30. In 2020, to support citizens and businesses in response to the COVID-19 pandemic, Council approved the extension of the tax payment deadline without late payment penalties to September 30. Following the mailing of assessment notices, there is a 67-day Customer Review Period (CRP). During the CRP, Assessment encourages property owners to check the factual information on record, review their assessment by comparing sales of similar properties, compare assessments of similar properties to evaluate equity and contact them if they have any questions or comments about the assessment, or the assessment process. Assessors will work with property owners to resolve concerns that may arise by verifying property details, correct confirmed inconsistencies and explain how the assessment was determined. If resolution cannot be reached, Assessors will explain the next steps, which is filing a formal complaint with the Assessment Review Board (ARB).

³ Assessment forms and publications – 2020 Assessment Market Report

⁴ Regular Meeting of Council (June 15, 2020) – Spring 2020 Citizen Research Results (11.3.1)

The ARB is a quasi-judicial board established in accordance with the Municipal Government Act and The City of Calgary Bylaw 15M2018 (ARB Bylaw). It is an impartial tribunal that hears and resolves assessment complaints brought forward by property owners.

Assessment has been proactively working to reduce complaints going forward to ARB, as increases in customer complaints to ARB regarding their assessed property value can lead to the following risks to The City:

- Financial risk: increase in complaints can result in additional expenditure to prepare and attend hearing in a time of resource constraints to The City, and can also result in loss of revenue;
- Reputational risk: increase in complaints could indicate a loss of confidence by property owners and negatively impact overall public confidence leading to further complaints; and
- Operational risk: if volume of complaints were to increase it would significantly impact Assessment's ability to deliver their service.

2.0 Audit Objective, Scope and Approach

2.1 Audit Objective

The objective of the audit was to assess the effectiveness of the processes Assessment have implemented to minimize the risk of complaints increasing in volume.

The current economic climate continues to adversely affect Calgarians based on survey results from the Spring 2020 Citizen Survey⁵. In support of local businesses, Council approved (November 29, 2019) a property tax shift to balance property tax responsibility more evenly between residential and non-residential properties. The combination of these events could increase Calgarian's sensitivity to property valuation and potentially increase volume of complaints received by Assessment.

2.2 Audit Scope

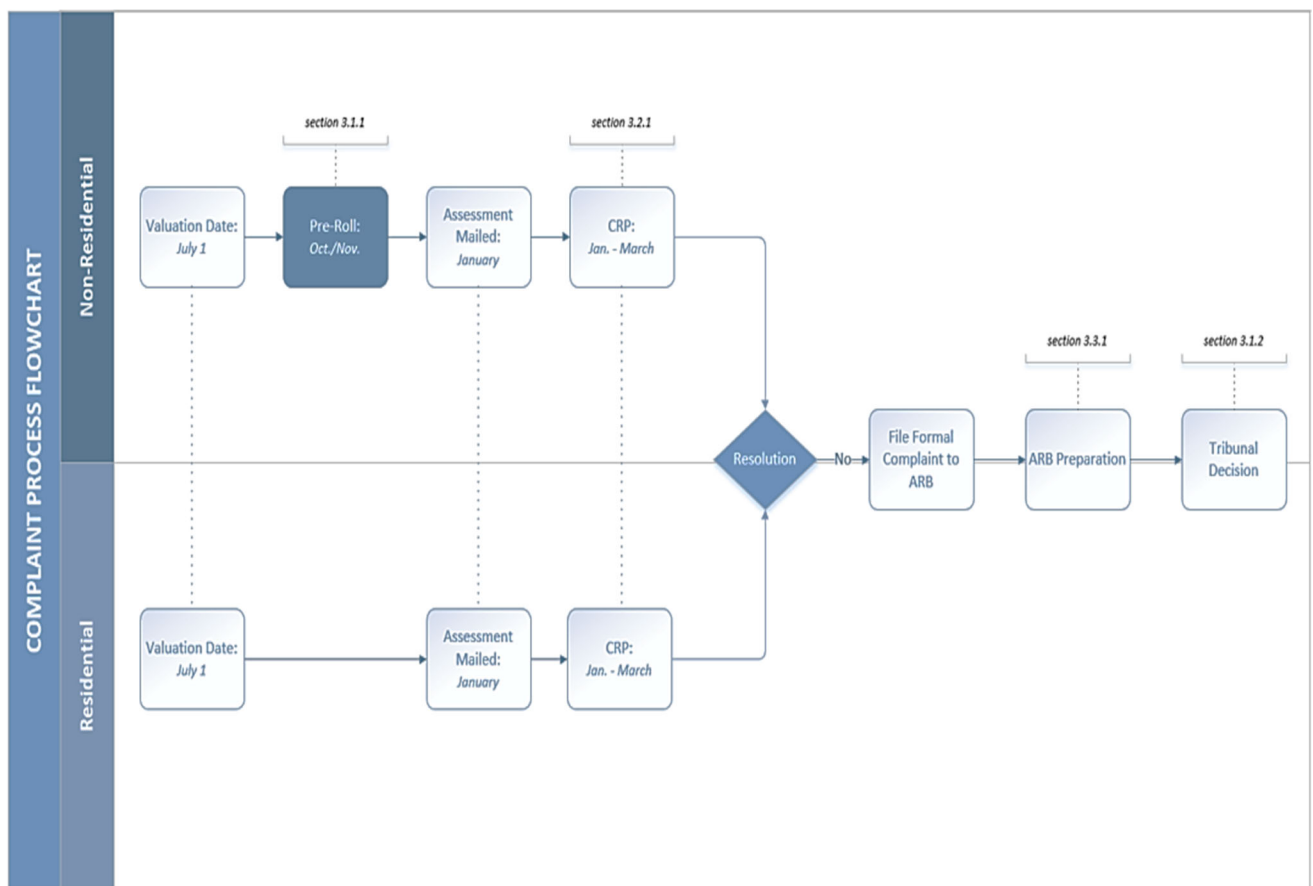
The scope of the audit included processes in operation during 2019 and 2020, which relate to the 2019 and 2020 Assessment Rolls.

2.3 Audit Approach

Our audit approach included review of the operation of processes throughout the assessment cycle, identified in Chart 1 – Complaint Process Flowchart. The Province sets legislative requirements on how properties are assessed by qualified property Assessors to determine market value and perform their own audits; the audit did not examine the application of the valuation methodology used to calculate market value.

⁵ Regular Meeting of Council (June 15, 2020) – Spring 2020 Citizen Research Results (11.3.1)

Chart 1 - Complaint Process Flowchart



3.0 Results

In conducting our audit, we focused on processes implemented by Assessment in support of their mandate, and their effectiveness to minimize the risk of assessment complaints increasing in volume.

Since 2017, Assessment have implemented proactive measures to reduce and/or resolve the volume of complaints on a year-over-year basis. Assessment's previous mandate of "Prepare, Communicate and Defend" property assessments was updated to "Prepare, Collaborate and Explain", reflecting a more customer-centric and collaborate culture. A new Customer Strategy Group (CSG) was created to review all customer touchpoints and launch new campaigns and initiatives aimed to improve the customer experience, as well as introducing more client-centric performance metrics focused on creating a more positive experience for customers. As a result, data on complaints (2017 to 2019) indicates a downward trend in complaints. Total number of complaints (Residential and Non-Residential) filed with ARB decreased by 25% from 2017 to 2019. Furthermore, Assessment's processes to continue communication with the property owner up to the day of the merit hearing has been effective in resolution of ARB complaints with 67% of active ARB cases in 2019 resolved (i.e. only 1038 complaints went to an ARB hearing).

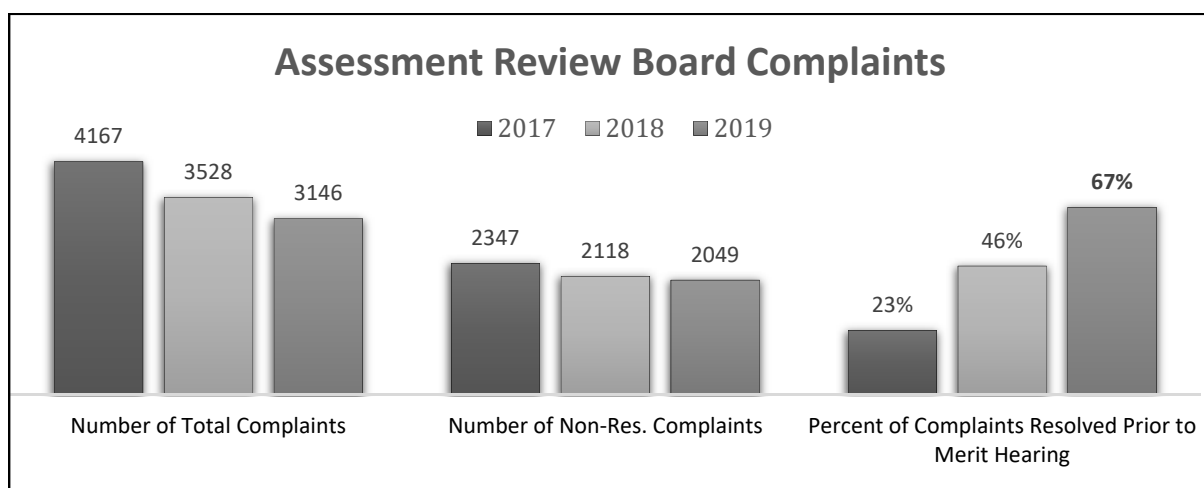


Figure 1: Property Assessment – Service Report – February 6, 2020

Our audit results confirmed that Assessment's processes have been effective in reducing the risk of increasing complaints through all three sections of their current mandate; Prepare, Collaborate, and Explain. As Assessment continues on their customer-centric path, two additional enhancements to the process following ARB hearings are required to continue supporting on-going improvement and building customer relationships. We believe Assessment's on-going actions, supported by the newly formed CSG, and their responses to our two recommendations (Sections 4.1 and 4.2) will support Assessment in their objective to further mitigate the risk of increasing complaints, and support an increasingly customer focused culture.

3.1 Prepare

The first part of Assessment's mandate is to "Prepare fair and equitable assessments that exceed industry and legislative standards;" culminating in the issue of the Roll and Notice of Assessments to property owners. Under the "Prepare" aspect of Assessment's mandate, we reviewed the Pre-Roll consultation period, including the Pre-Roll Symposium (Symposium), consideration of past ARB hearing information/ruling in preparation of upcoming year assessments, and the wording changes to the Notice of Assessment focused on customer friendly and plain language tone. New processes implemented by Assessment have reduced the volume of complaints from 2017 to 2019. The audit noted repeated year-over-year complaints within the sample and recommended further process enhancements to mitigate the associated financial and reputational risk (recommendation 1).

3.1.1 Pre-Roll Consultation Period

The Pre-Roll consultation period runs from October – November for non-residential and multi-residential property owners. The consultation period allows non-residential and multi-residential property owners and their representatives the opportunity to review Preliminary Property Assessment values before they are finalized and mailed in January, and has been established by Assessment to support understanding of the assessment valuation basis and be a forum for collaborative discussion. During this consultation period, Assessment will discuss the preliminary assessed values and take into consideration additional information relevant to the upcoming year's valuation, making adjustments to assessed values if this information better reflects market value.

We reviewed a sample of 15 adjustments made during the consultation period for the 2020 Roll and confirmed that all adjustments were made to better reflect market value based on information received through this consultation, and were supported by documentation showing more up-to-date information on the properties (e.g. sales, property income, comparable, capitalization rate, property characteristics). Assessment regularly mails requests for information to property owners and updates information on an ongoing basis to ensure properties are being assessed fairly. The requests for information are made in accordance with the Municipal Government Act.

A key part of the consultation period is the Symposium. The Symposium was established in 2018 by Assessment as an information session held for a specific audience (non-residential and multi-residential owners and their agents). The Leader of Assessment's CSG explained that the objective of the Symposium is to drive transparency and trust by providing/discussing market trends/themes and the impact on the upcoming assessment year through meaningful and collaborative discussions with property owners. Due to space capacity a limited number of participants are invited to the Symposium each year. Assessment's approach has been to invite agents representing non-residential and multi-residential property owners. This approach is intended to maximize efficiency, as one agent typically represents multiple non-residential and multi-residential properties, and non-residential properties, particularly downtown properties, which typically represent the largest individual assessed property values. To support on-going achievement of the Symposium objective, we identified an opportunity for Assessment to formalize the objective, including the intended audience, and to establish a periodic review of the invitation list, taking into account any material changes to the complaints and hearings environment such as

hearing volumes, and sources of property owner complaints. Assessment will be formalizing the Symposium objectives and have committed to designing and implementing a process for reviewing the invitation list on an annual basis to ensure that it aligns with the intended objective. Assessment intends to expand the scope of the 2020 Symposium to an online forum, which will allow the expansion of the invitation list to include all non-residential and multi-residential property owners. The presentations will be recorded allowing customers to access the information at their convenience without having to attend a scheduled live event.

Assessment measures the success/effectiveness of the Pre-Roll consultation, by tracking the number of agreements reached and the dollar value of those agreements based on the property type (commercial, retail, industrial etc.). We reviewed the design of the KPI calculation and confirmed that it appropriately measures the success of the process. For the 2020 Roll, Assessment achieved a new milestone reaching agreement on 33% of the total non-residential taxable assessed value.

3.1.2 Consideration of ARB Decisions in Roll Preparation

In situations where an ARB decision results in a reduction on the assessed value for the current year and contains factors/rationale that are known to continue into the subsequent year, Assessment considers the decision in the preparation of the subsequent year's Roll.

When considering past ARB rulings in preparation of subsequent Rolls, Assessment refers to their Tribunal Policy (Assessment Policy: Tribunal Decisions in Annual Assessments, April 2018), which sets out the circumstances in which information from ARB decision must be considered for the subsequent years' assessment. Assessors are only required to consider the information in the decision if it meets the circumstances.

We conducted testing on a sample of twenty properties that received a reduction on assessed values for the 2019 assessment year to assess consideration of the ARB decision in preparing the subsequent Roll. Three of the twenty sample properties fell under Assessment's Tribunal Policy, and for these three we confirmed that the prior ARB decision was considered and reflected in the preparation of the subsequent Roll.

Seventeen of the twenty sample properties did not fall within Tribunal Policy circumstances requiring consideration of the prior ARB decision. As twelve of the twenty sample properties subsequently filed a complaint with ARB related to the 2020 Roll, to further mitigate the risk of consecutive years complaints, we recommended (recommendation 1) that Assessment review the Tribunal Policy to identify additional circumstances in which consideration of information from prior ARB decisions will be required in the preparation of subsequent Rolls; and design and implement a supporting process setting out mitigating actions to be taken in circumstances where Assessment consider information from prior ARB decisions but do not incorporate changes into preparation of the subsequent Roll. Assessors are encouraged to add comments to the account in CIAO (Assessment's valuation database) detailing how they accounted for/considered Board decision on the subsequent Roll. We noted that three of the twenty properties did not have evidence of review or consideration by an Assessor, as the field comment in CIAO was blank. Assessment are in the process of

mandating that Assessors provide commentary in CIAO regarding every past ARB decision.

3.1.3 Notice of Assessment

For the 2020 Notices of Assessment, adjustments were made to the standardized template wording with the aim of adopting a more customer friendly and plain language tone. Assessment highlighted to us that the 2020 Assessment included a friendly salutation “Hello Property Owner” along with a more collaborative tone, which included steps regarding how to review the Notices of Assessment, worded in more plain language. We confirmed these changes to wording through observation of the Notice of Assessment templates for residential and non-residential properties.

3.2 Collaborate

For the second part of Assessment’s mandate, we reviewed the Customer Review Period (CRP), which is the process that supports property owners review of their property assessment and addresses queries in advance of receiving the finalized tax bill, and confirmed that the CRP is effective in supporting Assessment’s objective of reducing the risk of increased complaints.

3.2.1 Customer Review Period

Annual Property Assessments are mailed in early January, in the form of the Notice of Assessment. Following the mailing of the Notices of Assessment, there is a 67-day CRP. During this time, property owners can speak to an Assessor regarding any disagreements/questions/comments and also provide new property details that may impact the assessed value. Assessors will work collaboratively with owners to explain the process and discuss real estate data used in determining their property’s value. Following the end of the CRP, The City mails tax bills in May with payment due end of June. Effectively addressing customer queries and concerns during the review period mitigates the risk of complaints arising. We reviewed the timeliness of call handling during the CRP (linked to resourcing), the script, and call escalation.

During the CRP, call volumes typically increase as more property owners contact Assessment to discuss their Notice of Assessment in advance of receiving their tax bill in May. In 2020 Assessment implemented a call forecasting model to prioritize staff scheduling to meet call demand during the CRP. To ensure timeliness of responding to calls, Assessment set a service level goal to answer 80% of the calls under 30 seconds, which was benchmarked to the City’s 311 service level standard. We reviewed the design of the KPI calculation and confirmed that it appropriately measures the success of the process. We judgmentally selected three days during the 2020 CRP period and reviewed the service level/KPI: on all three days the service level exceeded the metric, over 90% of the calls answered under 30 seconds.

In 2020, Assessment’s CSG introduced a call centre script for Assessors responding to CRP calls, which provided written guidance defining call quality and focused on improving the customer experience. The script included detailed instructions of the five steps for a quality call (i.e. answer incoming call, agent offer to help, identify customer questions plus actively listen, provide solutions and end call). Three staff training sessions were provided in December, just prior to the start of the CRP in January, with

59% attendance. This was the first year of the revamped CRP training and was not mandatory; however, Assessment indicated that next year the training will be mandatory.

Assessment utilize the AIMS (Customer Relationship Management) system to track all customer touchpoints, aimed at improving the customer experience by better understanding their needs and behaviors. Customers requiring additional information can request to speak to their Area Assessor, and in this instance an internal ticket is generated in AIMS and forwarded to the Area Assessor or equivalent. Assessment also has a customer escalation process for scenarios where a customer is not satisfied with the interaction and wants to speak to someone at a higher level to discuss the issue. Call escalations follows a similar process as an internal transfer, whereas a ticket is created and forwarded to a higher authority for follow-up. Assessment tracks these tickets with the goal of closing the ticket within three days by contacting the customer and resolving the issue. As of week six of the 2020 CRP, the average days to close AIMS tickets was 1.25 days, quicker than Assessment's goal. We selected a sample of ten closed AIMS escalation tickets to confirm if there was evidence supporting closure. In our testing of ten closed tickets, we noted that one ticket was closed even though comments indicated productive conversations were still ongoing with the customer. While the risk of an additional complaint was not present in this exception (as collaboration with the customer to resolve the query and prevent a complaint continued despite the closed ticket status), Assessment is addressing this area for the 2021 CRP by incorporating guidance on closing tickets into mandatory CRP training.

3.3 Explain

Under the final part of their mandate, Assessment undertake to "Explain" assessments with honesty, respect and transparency. We reviewed how Assessment shares and explains information with complainants in the ARB hearing preparation process, and how Assessment captures communication-based lessons learned from past ARB merit hearings. The Audit confirmed that the processes used by Assessment to share information with complainants in the ARB hearing process are effective in supporting Assessment's objective of reducing the risk of increased complaints. We recommended the formalization of the lessons learned process following ARB hearings to support the identification of further process improvement opportunities (recommendation 2). In addition, we also reviewed recent and future initiatives of the CSG focused on mitigating the risk of complaints.

3.3.1 ARB Hearing Preparation

Assessment encourages property owners to review the accuracy of their assessment and to speak to a City Assessor regarding any disagreement/questions/comments. If consensus cannot not be reached and the property owner still disagrees with the assessment, a formal complaint may be filed with the ARB. If a merit hearing is scheduled, Assessment is required to provide evidence in advance of the hearing date to support the assessed value. It is particularly important the complainant has access to the full information submitted by Assessment as it reduces the risk of the complainant continuing to ARB. Assessment's process is to continue working with the complainant to resolve/seek agreement up to the day of the scheduled hearing.

Assessment utilizes the Electronic Evidence Package (EEP) to prepare evidence to support the assessed value. When preparing the evidence package, Assessors select pre-populated templates based on the property type. This ensures that each evidence package is consistent and contains all required information to adequately explain the assessed value. We examined the effectiveness of the EEP by examining 20 evidence packages (residential/non-residential) relating to the 2019 Roll. All 20 evidence packages utilized the appropriate template and contained relevant information to adequately explain the assessed value to ARB and the complainant, such as valuation methodology, supporting photos, and supplementary information.

Once the Assessor completes the evidence package it is automatically made available through the Evidence Disclosure Portal, at which point the complainant is notified of the submission and has access to view the evidence package in advance of the scheduled hearing.

3.3.2 Hearing Lessons Learned

Assessment have established a Tribunal Task Force which provides a forum for discussions of prevalent tribunal issues and themes. Currently Assessment do not have a defined formal lessons learned process, and we made a recommendation to design and implement a periodic formal lessons learned process following ARB hearings (recommendation 2). Conducting a formal lessons learned activity supports the identification of potential process improvements and the findings from the exercise can also serve as a tool for training and onboarding of Assessors within the business unit.

3.3.3 Customer Strategy Group

In early 2019, Assessment created a new team known as the CSG, consisting of a team-leader and two supporting staff. The CSG is currently reviewing all Assessment customer touchpoints/interactions and communications, collaborating with other areas of Assessment to focus on the customer, and executing on initiatives aimed at enhancing the customer experience. Providing customers with a positive interaction reduces the risk of complaints arising. CSG initiatives are grouped into the following areas of focus:

- Improve communication to customers;
- Provide our people the tools to succeed;
- Enhance our in-person interactions with customers; and
- Empower our customers.

To better understand the planned and actioned initiatives aimed to improve the customer experience, we interviewed the leader of the CSG, and validated that the following initiatives had been implemented during 2019 for the 2020 Roll:

- Update of Notice of Assessment template wording to include customer friendly and plain language tone (see Section 3.1.3);
- Delivery of customer service training in advance of the CRP, including new written guidance for Assessors focused on the customer experience (see Section 3.2.1);
- Duplicate AIMS ticket analysis to identify concerns related to customer interactions during the CRP; and
- Enhancement of the format of the Symposium by grouping participants into cohorts based on the type of non-residential property to improve relationships and encourage discussion.

We also reviewed the upcoming future initiatives plan with tracking progress to date and preliminary timelines. Examples of future initiatives focused on enhancing the customer experience and mitigating the risk of complaints arising include:

- CRP call quality monitoring and post call surveys;
- Development of quality standards, monitoring and training for email communications; and
- Development of AIMS documentation process and training.

The work of the CSG resulted in updating Assessment's previous mandate of "Prepare, Communicate and Defend" to their current mandate of "Prepare fair and equitable assessments that exceed industry and legislative standards; Collaborate with stakeholders to provide a high-quality product; Explain assessments with honesty, respect and transparency". The new initiatives and processes support the current mandate and have resulted in a reduction in complaints. The recommendations raised will further support the mandate as Assessment continues to focus on the customer experience.

We would like to thank staff from Assessment for their assistance and support throughout this audit.

4.0 Observations and Recommendations

4.1 Prior Year ARB Decisions

Assessment's current Tribunal Policy mandates the consideration of prior year decisions by the ARB in the preparation of the Assessment Roll in a limited number of circumstances, which is inhibiting the effective risk mitigation of repeat complaints to ARB. We examined a sample of property owners who received a reduction on assessed values and noted that more than half of the sample also filed a complaint in the subsequent year.

In 2019 Assessment incurred \$2.7M related to managing complaints, including associated ARB hearing costs. Property owners also incur costs filing complaints with ARB and attending hearings. Furthermore, there is a reputational impact where it appears to citizens that Assessment has not considered a previous ARB decision in preparing the subsequent Roll. Although recent enhancements implemented by Assessment resulted in a positive downward trend (2017 to 2019) of complaints, additional analysis and action is required to further mitigate the risk of ARB repeat hearings.

Assessment's Tribunal Policy requires that Assessors review all ARB decisions. However, Assessors are only required to consider the information in the decision for subsequent assessments in the following circumstances:

- "There is an error in physical and/or factual characteristics;
- There is evidence-based market factors; and
- At least two years' written decisions state the same factor(s) as rationale, both the Assessor and the section Team Leader deem the written decision to be sufficient as information that should be included in the preparation of the subsequent years' assessment for the subject or other properties or businesses, and there is no compromise to equity for properties or businesses to which the information in the decision is not applied."

We reviewed documentation related to twenty prior (2019 and earlier) ARB decisions. Of these twenty, three required consideration under the terms of the Tribunal Policy, and showed evidence that consideration of factors had been appropriately applied, however:

- Seventeen of twenty properties did not require the application of prior year Tribunal decisions to subsequent year assessments as they did not fall within the circumstances set out in the current Tribunal Policy;
- Twelve of twenty properties subsequently filed a complaint with ARB related to the 2020 Roll (60%); and
- Where Assessment consider factors but make a decision not to adjust the subsequent Roll, they do not have a defined process documenting further actions to be undertaken to mitigate the possibility of property owners filing a complaint with ARB for the subsequent year.

Recommendation 1

The Director of Assessment:

- a. Review the Tribunal Policy and the related procedures to identify additional circumstances in which consideration of information from prior ARB decisions will be required in the preparation of subsequent Rolls; and
- b. Design and implement a supporting process setting out mitigating actions to be taken in circumstances where Assessment consider information from prior ARB decisions but do not incorporate changes into preparation of the subsequent Roll.

Management Response

Agreed.

Action Plan	Responsibility
<p>a) Assessment will review the Tribunal Policy and related procedures to identify additional circumstances in which consideration of information from prior ARB decisions will be required in the preparation of subsequent Rolls. Assessment will incorporate these circumstances into its new Tribunal Year End Review Policy, which will be implemented before the finalization of the 2021 Roll.</p> <p>b) Assessment will enhance existing measures and implement new processes to mitigate risk in circumstances where reasons from prior ARB decisions are considered but not incorporated into the preparation of subsequent Rolls, including:</p> <ol style="list-style-type: none"> i. An annual checklist requirement that Assessors are required to review all the previous years' ARB decisions applicable to the properties in their assigned portfolio, and provide a sign off to indicate this has been completed; ii. As part of the year-end review process, Assessors will now be required to leave detailed comments in the Computer Assisted Mass Appraisal system (Calgary Integrated Assessment Office) for all assessments altered by a decision of the ARB. In addition to providing a detailed interpretation of the relevant facts and issues, Assessors will be required to provide commentary as to how the decision was considered in the preparation of the subsequent Roll; iii. Formalization of the requirement to contact all property owners who have filed a complaint with ARB; and iv. A new oversight process where an annual report will highlight all properties where an assessment was altered by a decision of the ARB for two or more consecutive Roll years within the three preceding Roll years for review by the Valuation Leaders. The Valuation Leaders will be responsible for highlighting and acting on potential issues as well as reporting to Management. 	<p><u>Lead:</u> Director of Assessment</p> <p><u>Support:</u> Assessment Management Team</p> <p><u>Commitment Date:</u> October 8, 2020</p>

4.2 Lessons Learned Exercise

Following an ARB hearing, Assessment conduct informal discussions of hearing decisions, trends and emerging issues, but have not established a formal lessons learned exercise process. In 2019, there were 953 complaints (comprised of residential/non-residential) that proceeded to an ARB hearing with 55% of the hearings resulting in a reduction in assessed value.

A formal process to review ARB decision outcomes, in particular, decisions that resulted in a reduction in assessed values, supports the identification of potential process improvements and opportunities to further enhance customer communication, which in turn can further reduce the number of complaints that are presented to ARB and associated cost of preparation and attendance by Assessment staff.

Recommendation 2

The Director of Assessment design and implement a periodic formal lessons learned process following annual ARB hearings.

Management Response

Agreed.

Action Plan	Responsibility
Assessment will establish a formal lessons learned process exercise to identify potential areas of risk and opportunities for improvement in tandem with Tribunal Task Force. The exercise will be carried out on a regular basis and the findings will be documented in a detailed summary report which will be reviewed and acted on by Management. This commitment will also be incorporated into the new Tribunal Year End Review Policy.	<u>Lead</u> : Director of Assessment <u>Support</u> : Assessment Management Team <u>Commitment Date</u> : December 11, 2020



Calgary

City Auditor's Office

ISC: Unrestricted
AC2020-1170 ATT2

Assessment Complaints Audit

Why we did this

- Assess the effectiveness of the processes that Assessment have implemented during 2019 and 2020 to minimize the risk of complaints increasing in volume

What we concluded

- Processes have been effective in reducing the risk of increasing complaints
- 25% reduction in complaints filed with ARB from 2017 to 2019
- Two further improvements to processes are required to support Assessment's goal to further reduce the risk of increased complaints

Why it matters

- Assessment is responsible for preparing assessments for over 544,000 property owners with a total assessed value of \$301B
- Increases in assessment complaints drive increased financial, reputational and operational risk

City Auditor's Office 2021-2022 Audit Plan

RECOMMENDATIONS:

That the Audit Committee:

1. Approve the City Auditor's Office 2021-2022 Audit Plan; and
2. Recommend that Council receive this report for the Corporate Record.

HIGHLIGHTS

- Bylaw 30M2004 (as amended) established the position of City Auditor and the powers, duties and functions of the position. Schedule A of Bylaw 30M2004 (as amended) requires the City Auditor to utilize a risk-based approach to communicate audit assurance activities to Audit Committee for approval through an annual audit plan. The City Auditor is accountable to Council and subject to the oversight of Audit Committee under Bylaw 48M2012 (as amended).
- What does this mean to Calgarians? The City Auditor's Office (CAO) provides independent and objective audit assurance services to add value to The City of Calgary and enhance public trust through insights and recommendations on risk management effectiveness.
- Why does it matter? The 2021-2022 Audit Plan outlines the 20 audits the CAO will focus on over the next two years. Available resources are directed to areas where an audit will provide the greatest value based on risk and level of coverage objectives.
- Strategic alignment to Citizen Priorities – A Well-Run City.

ATTACHMENTS

1. City Auditor's Office 2021-2022 Audit Plan
2. City Auditor's Office 2021-2022 Audit Plan Presentation Slide

DEPARTMENT CIRCULATION

Name	Title, Department or Business Unit	Approve/Consult/Inform
Katharine Palmer	City Auditor	Approve
David Duckworth	City Manager	Inform
Chris Arthurs	Deputy City Manager	Inform
Carla Male	Chief Financial Officer	Inform
Katie Black	GM, Community Services	Inform
Michael Thompson	GM, Greenline	Inform
Stuart Dalglish	GM, Planning and Development	Inform
Doug Morgan	GM, Transportation	Inform
Dan Limacher	GM, Utilities & Environmental Protection	Inform



Calgary

City Auditor's Office

City Auditor's Office 2021-2022 Audit Plan

October 22, 2020

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Table of Contents

1.0	2021-2022 Audit Plan Development.....	5
1.1	Audit Plan Creation.....	6
1.2	2021 Audit Plan.....	7
2.0	Audit Plan Execution.....	8
	Appendix - 2021-2022 Audit Plan.....	9

The City Auditor's Office completes all projects in conformance with the *International Standards for the Professional Practice of Internal Auditing*.

1.0 2021-2022 Audit Plan Development

The City Auditor's Office (CAO) provides objective audit assurance and insight on the effectiveness and efficiency of governance, risk management and internal control processes. This assurance assists The City of Calgary (The City) in achieving its strategic, operational, financial, and compliance objectives. The audit work provided by the CAO is intended to act as a catalyst for improving The City's effectiveness and efficiency by providing insight and recommendations on risk management effectiveness.

The annual presentation of our audit plan outlines where those audits and assurance activities will take place.

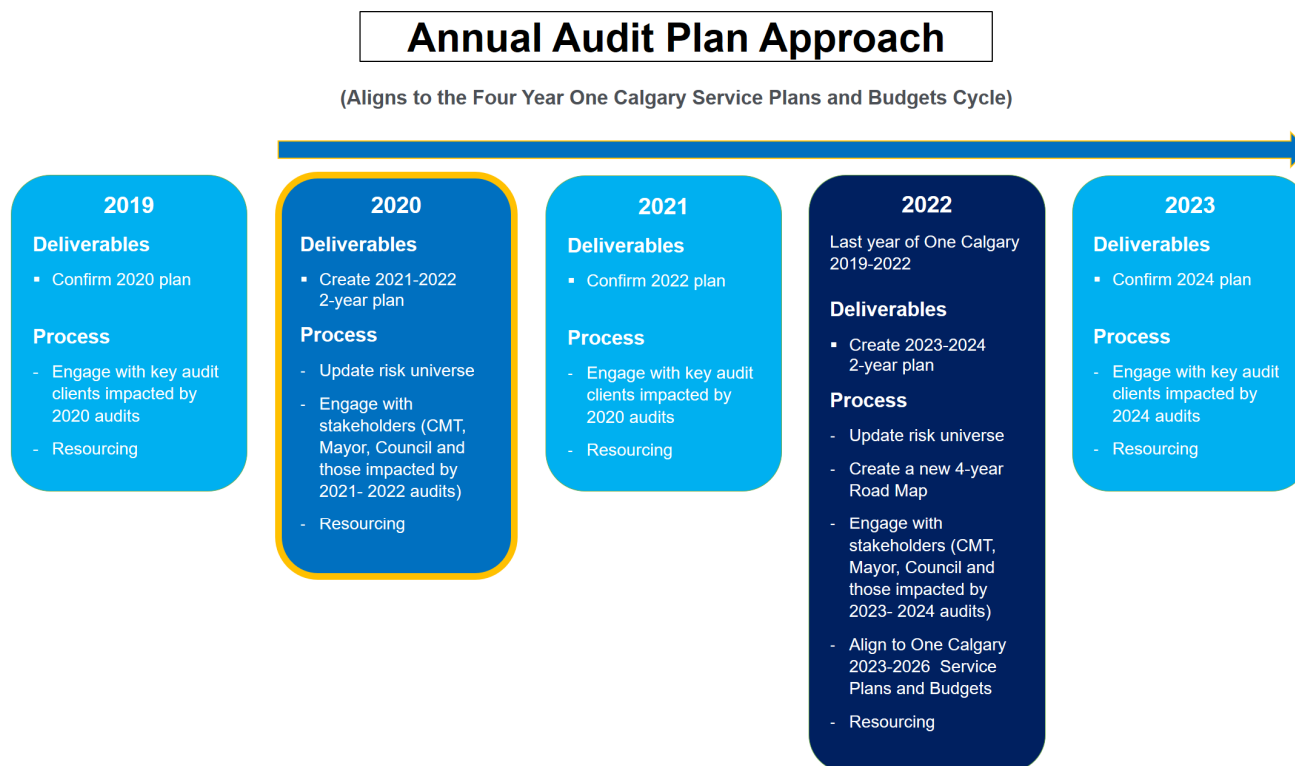
Bylaw 30M2004 (as amended) established the position of City Auditor and the powers, duties and functions of the position. Schedule A of Bylaw 30M2004 (as amended) requires the City Auditor to utilize a risk-based approach, and communicate audit assurance activities to Audit Committee for approval through the development of an annual audit plan, which, without limiting the scope of the foregoing, includes:

- Compliance Audits
Review the systems established to ensure compliance with policies, plans, procedures, ethical and business norms, as well as laws, regulations, and contracts which can have a significant impact on operations and reports and determining whether the organization is in compliance.
- IT Audits
Review and evaluation of automated information processing systems, related non-automated processes, and the interfaces among them to ensure business risks are minimized appropriately.
- Operational Audits
Utilizing a risk-based approach, review operations, services, processes and/or systems to determine whether they are effective and implemented as planned to achieve their objectives. This type of audit may include assessing the efficiency with which resources are utilized.
- Follow-up Audits
Review the effectiveness of the corrective action implemented in response to previous audit recommendations to ensure the underlying risk was mitigated as intended to support achievement of the objective. This type of audit is generally limited in scope, however, may identify efficiency opportunities resulting from operational changes and/or redundant control structures.

Bylaw 30M2004 (as amended) is aligned with The Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing, which require the establishment of a risk-based planning approach to determine the priorities of the internal audit activity, consistent with the organization's goals. The intent of the audit planning approach is to ensure that available audit resources are directed to areas where an audit will provide greatest value based on risk and level of coverage objectives.

In July 2019, the City Auditor presented the CAO's new Annual Audit Plan approach to Audit Committee (AC2019-0899), aligned to the Four Year One Calgary Service Plans and Budgets Cycle. The intent of this approach, outlined in the diagram below, was to adjust the work effort required

each year to create internal efficiencies while continuing to support a risk-based approach that provided agility to include emerging risks and align with changes occurring in Administration.



1.1 Audit Plan Creation

In 2020, the CAO followed the annual audit plan approach to create the 2021-2022 Audit Plan including the following activities:

- Update the audit risk universe and the 4-year Road Map;
- Stakeholder engagement;
- Assessment of resourcing; and
- Plan sharing.

Update Audit Risk Universe

The CAO updated the audit risk universe and the 4-year Road Map utilizing 2019 City business unit budget and FTE information, as well as information on IT risks. The 4-year Road Map guides where the CAO focuses audit effort to ensure all City business units receive a level of assurance activity on a regular risk frequency (coverage expectation within a six to seven-year cycle).

This year we developed a separate service risk universe utilizing 2019 City service budget information included in One Calgary 2019-2022 Service Plans and Budgets. The 4-year Road Map was also updated reflecting new information gained from the service-based risk universe as well as areas impacted by the postponement of 2020 audits due to the COVID-19 pandemic.

Stakeholder Engagement

Historically, the CAO has conducted surveys, larger group forums and one-on-one meetings to gather audit plan input. This year the CAO adapted our approach to stakeholder engagement

due to the COVID-19 pandemic and conducted all stakeholder engagement through smaller virtual meetings.

Based on the areas identified for a potential audit in 2021 and 2022 on the 4-year Road Map, the CAO reached out to Directors and Managers to gather input on risks, opportunities to add value, and impact to achievement of objectives as a result of the COVID-19 pandemic. Based on this input the CAO created a provisional list of audit topics.

Provisional audit topics and timing were further refined through engagement with those stakeholders directly impacted by proposed audits, as well as engagement with Councillors, the Mayor, the City Manager and the Chief Financial Officer.

Resourcing

We assessed the provisional list of 2021 audits to determine the resource and skill requirements, and the anticipated budget and cycle time required to complete each audit. Total anticipated audit hours were reconciled against a resource calculation of available and appropriate internal resources and calendar availability.

Proposed timing of the ten audits planned for 2021 was determined and confirmed utilizing input from clients impacted by the proposed audits, and scheduled availability of CAO staff. The 2021 plan is based on full staffing complement of eight senior auditors conducting the audits, in addition to an Audit Manager IT supervising IT audits, and two Deputy City Auditors supervising the remaining audits. In addition, a Data Strategist and a Senior Data Analytics Auditor will provide data analytics support on audits where data collection and analysis are required.

Our ability to complete the 2021 audits could be impacted by a number of external risks including the unpredictability of the ongoing COVID-19 pandemic, delay in successful fulfillment of the vacant senior auditor position, and new audit or advisory projects approved by Audit Committee in response to emerging risks and opportunities to improve City operations.

Plan Sharing

The CAO shared the proposed plan with other internal and external assurance groups including the Manager of Corporate Initiatives and the City's External Auditor. We will also share the plan with the internal audit function of Calgary Police Services. We openly share our plan with these supporting groups as a best practice to reduce the potential of duplication of resourced effort and, where possible, minimize the level of business interruption to a particular business area.

1.2 2021 Audit Plan

In 2021, in alignment with our audit plan approach, we will reconfirm the audits on the 2021 Audit Plan. Reconfirmation activities will include engaging with key audit clients impacted by the proposed 2021 audits and assessing available CAO resources. The impact of the COVID-19 pandemic on business areas will be considered in reconfirmation activities. In addition, as part of ongoing risk identification and analysis, the CAO will assess the impact of emerging risks on the 2021 Audit Plan.

2.0 Audit Plan Execution

The CAO audit process utilizes a risk-based approach throughout all phases of the audit. In particular, the planning phase includes a detailed risk identification and assessment phase. The purpose of this phase is to identify the most significant risks within the area and focus the allocated audit resources on those areas. The result is an audit project that does not address all risks but focuses on the most significant risks that could impact the achievement of City objectives. In line with The Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing, the planning of an audit considers (dependent on the audit topic) the risks to achievement of the organization's strategic objectives; reliability and integrity of financial and operational information; effectiveness and efficiency of operations and programs; safeguarding of assets; and compliance with laws, regulations, policies, procedures, and contracts.

In delivering the audit plan, the CAO focuses on key values:

- Risk reduction: audit and advisory activities and associated recommendations cost-effectively address risks to The City, and our active follow-up supports timely implementation;
- Reliability: audit and assurance activities add value and are completed by skilled, experienced staff within expected timelines;
- Responsiveness: the CAO has the ability to address emerging risks, Council and Administration requests; and
- Resiliency: the CAO is supported by structure and protocols which enable the team to remain adaptable and agile in supporting The City through audit and advisory activities.

The City Auditor will monitor progress against the approved 2021-2022 Audit Plan and re-assess risk pertaining to individual project scope and emerging issue requests within the approved plan. The City Auditor is committed to supporting an agile team that can re-prioritize audit and assurance activity.

In accordance with Schedule A of Bylaw 30M2004 (as amended), the City Auditor provides a quarterly report to Audit Committee that includes the status of deliverables against the approved annual plan. Under Bylaw 48M2012 (as amended), Audit Committee reviews and forwards these reports to Council for information.

Appendix

2021-2022 Audit Plan			
#	Title	Description	Report Target
2020 In-Progress Audits			
1	Integrated Risk Management	An operational audit assessing the effectiveness of the Integrated Risk Management Program, which is a recurring audit (AC2014-0295) required under The Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing, <i>Citizen Priority – A Well-Run City</i>	Q1 2021
2	Cyber Security Incident Response Follow-up	A follow-up audit to review action plans implemented in response to the 2018 Cyber Security Incident Response Audit (AC2018-0410) <i>Citizen Priority – A Well-Run City</i>	Q1 2021
3	311 Response	A City-wide operational audit assessing the effectiveness of processes to respond to citizen concerns received through 311. <i>Citizen Priority – A Well-Run City</i>	Q1 2021
2021 Audits			
1	Green Line Project Governance Follow-up	A follow-up audit to assess the effectiveness of actions implemented in response to the 2019 Green Line Project Governance Audit (AC2019-0353). <i>Citizen Priority – A City that Moves</i>	Q2
2	Transportation Infrastructure – Construction Project	An operational audit of a project under the Main Streets Program. <i>Citizen Priority – A City that Moves</i>	Q2
3	Acquisition of Goods and Services Under SOLE	A City-wide operational audit on the effectiveness of processes supporting the acquisition of goods and services during the State of Local Emergency (COVID-19 Pandemic). <i>Citizen Priority – A Well-Run City</i>	Q3
4	Industrial Control Systems Security	A technology and governance audit of the complex industrial control systems that support critical infrastructure in the Water and Transit business units. <i>Citizen Priority – A Well-Run City</i>	Q3

2021-2022 Audit Plan			
2021 Audits			
#	Title	Description	Report Target
5	2021 Municipal Election	An operational audit assessing readiness to deliver the 2021 Municipal Election. <i>Citizen Priority- A Well-Run City</i>	Q3
6	Safety Management	An operational audit assessing Administration's effective utilization of the Occupational Health and Safety Management Systems and related tools that support The City's objectives of a safe and healthy workplace for City employees. <i>Citizen Priority – A Well-Run City</i>	Q4
7	Fleet Services – CFOS	An operational audit of the reliability of Fleet Services' Corporate Fleet Operating System to meet fleet utilization analysis and reporting requirements. <i>Citizen Priority – A Well-Run City</i>	Q4
8	Hyperion Systems Governance	An operational audit of the effectiveness of governance related to the Hyperion system. <i>Citizen Priority- A Well-Run City</i>	Q4
9	Recreation Infrastructure Investments	An operational audit assessing the effectiveness of processes implemented by Calgary Recreation to support equitable infrastructure investments. <i>Citizen Priority – A Healthy and Green City</i>	Q1 2022
10	Recruitment Processes	An operational audit of the effectiveness of the alignment of recruitment processes with The City's diversity objectives. <i>Citizen Priority – A Well-Run City</i>	Q1 2022
2022 Audits			
1	Pension Compliance	A compliance audit as required by Alberta Pension Services providing independent triennial assurance over three City pension plans (LAPP, LAPP Fire and SFPP) <i>Citizen Priority – A Well-Run City</i>	
2	Calgary Parks – Project Management	An operational audit assessing the effectiveness of capital project management. <i>Citizen Priority- A Healthy and Green City</i>	

2021-2022 Audit Plan		
#	Title	Description
2022 Audits		
3	Calgary Housing Company – Vendor Procurement and Management	An operational audit assessing the effectiveness of processes to procure and manage vendors. <i>Citizen Priority – A Prosperous City</i>
4	Real Estate and Development Services – Land Management	An operational audit assessing the effectiveness of the Enhanced Rationalization Program supporting the management of City-owned land. <i>Citizen Priority – A Well-Run City</i>
5	Facility Management – Asset Management	An operational audit assessing the effectiveness of processes to manage lifecycle costs and investments to mitigate safety risks and support service delivery. <i>Citizen Priority – A Well-Run City</i>
6	Building Services – Virtual Inspections	An operational audit assessing the effectiveness and efficiency of virtual inspections. <i>Citizen Priority – A City of Safe and Inspiring Neighbourhoods</i>
7	Transportation Planning – Capital Project Prioritization	An operational audit evaluating the effectiveness of Transportation Planning’s capital project prioritization processes within the Infrastructure Calgary framework. <i>Citizen Priority – A City that Moves</i>
8	Green Line Program	An operational audit of the Green Line Program as part of a series of ongoing audits, which will occur until program completion. <i>Citizen Priority – A City that Moves</i>
9	Code of Conduct Program Audit	An operational audit assessing the effectiveness of City Administration's Code of Conduct Program supporting an ethical workplace. <i>Citizen Priority – A Well-Run City</i>
10	Waste & Recycling Services – Black Cart Collection Pilot Project	An independent review on the integrity of the comparison established in the Residential Black Cart Collection Pilot Project to support effective decision making. <i>Citizen Priority – A Well-Run City</i>



Calgary

City Auditor's Office

ISC: Unrestricted
AC2020-1172 ATT2

City Auditor's Office 2021-2022 Audit Plan

Why we did this

- The City Auditor's Office 2021-2022 Audit Plan requires Audit Committee approval (Schedule A- Bylaw 30M2004 (as amended))

What was our risk-based approach

- Incorporate impact of the COVID-19 pandemic
- Update the risk universe and the 4-year Road Map
- Stakeholder engagement
- Assessment of resourcing
- Share the plan with other assurance groups

What we propose and why it matters

- The completion of 20 audits in 2021-2022
- Available resources are directed to areas where an audit will provide the greatest value based on risk and level of coverage objectives

City Auditor's Office 3rd Quarter 2020 Report

RECOMMENDATIONS:

That the Audit Committee:

1. Receive this report for the Corporate Record; and
2. Recommend that Council receive this report for the Corporate Record.

HIGHLIGHTS

- Bylaw 30M2004 (as amended) established the position of City Auditor and the powers, duties and functions of the position. Schedule A of Bylaw 30M2004 (as amended) requires the City Auditor to provide a quarterly report to Audit Committee that includes trending and achievement of City Auditor's performance measures as established to reflect effective delivery of the City Auditor's mandate, status of Administration action on the current recommended action plan commitments agreed upon in previous audit reports, and status of deliverables against the approved annual audit plan. The City Auditor is accountable to Council and subject to the oversight of Audit Committee under Bylaw 48M2012 (as amended).
- What does it mean to Calgarians? The CAO provides effective independent and objective assurance, advisory and investigative services to add value to The City of Calgary and enhance public trust.
- Why does it matter? The City Auditor provides open and transparent reporting on key activities on a quarterly basis.
- Strategic alignment to Citizen Priorities – A Well-Run City.

ATTACHMENT

1. City Auditor's Office 3rd Quarter 2020 Report
2. City Auditor's Office 3rd Quarter 2020 Report Presentation Slide

DEPARTMENT CIRCULATION

Name	Title, Department or Business Unit	Approve/Consult/Inform
Katharine Palmer	City Auditor	Approve



Calgary

City Auditor's Office

3rd Quarter 2020 Report July 1, 2020 – September 30, 2020

October 22, 2020

**Katharine Palmer
City Auditor**

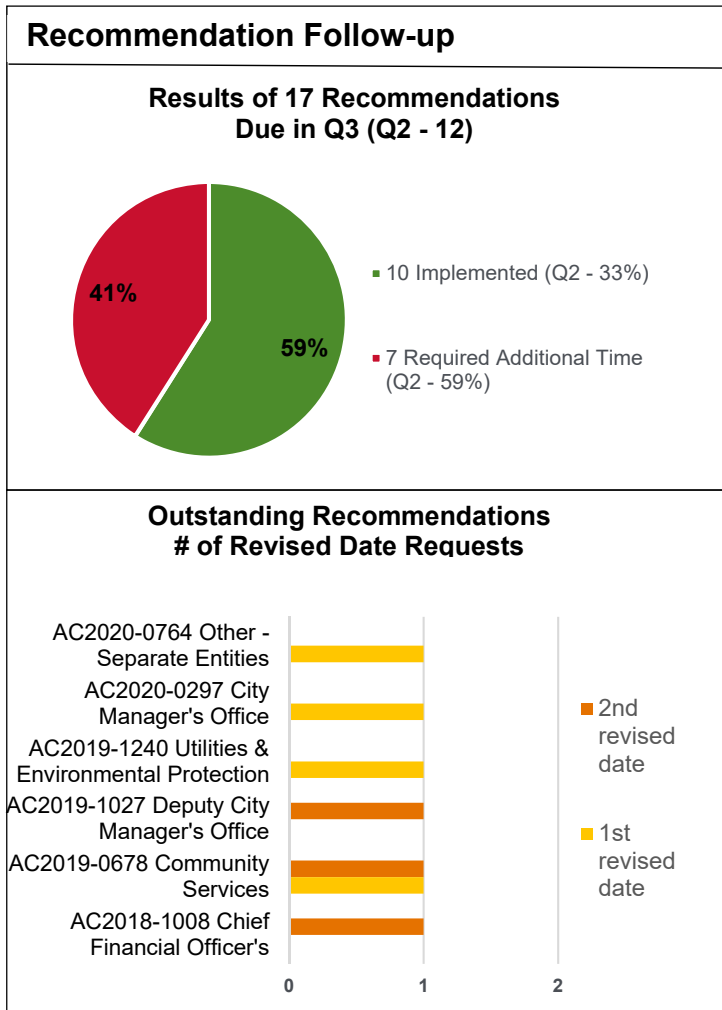
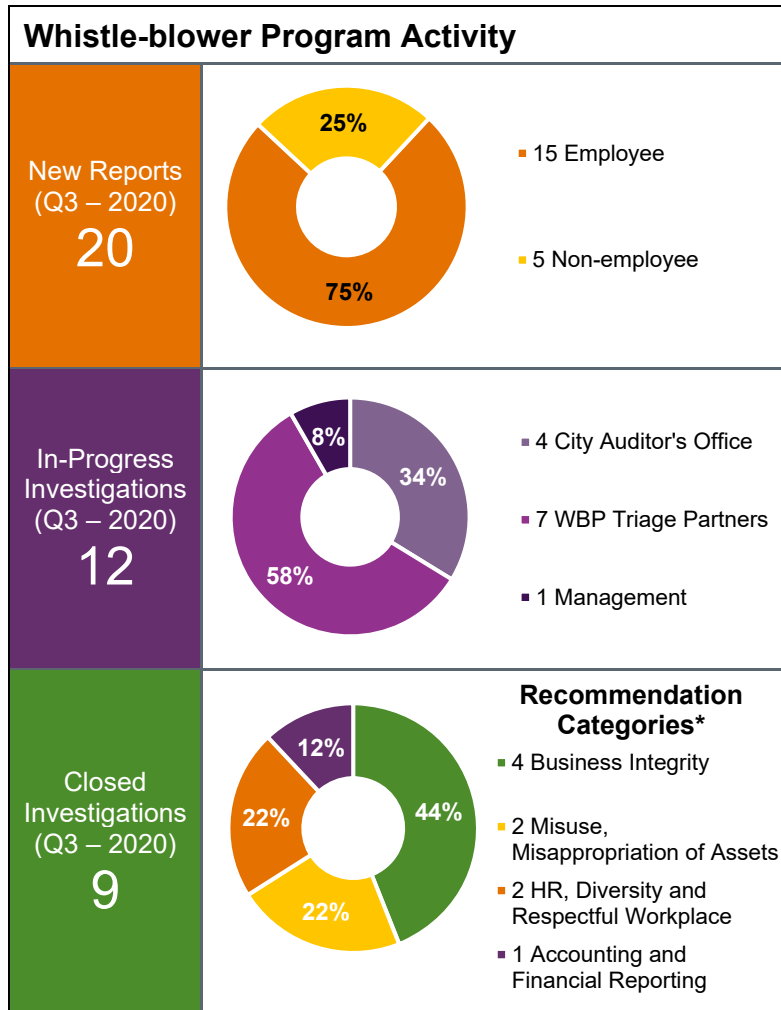
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1. Status Update

Key Performance Indicators				
Measure Area	Performance Indicator	Target	Q2 2020	Q3 2020
Efficiency	On Track to Annual Plan	Q1-26% Q2-59% Q3-82%	46%	60%
Effectiveness	Timely Implementation of Audit Rec.	65%	29%	50%
Quality	Client Satisfaction	85%	N/A*	98%
Staff	Training Plan Achieved	90%	73%	86%

*No survey responses received in this quarter.

Budget (\$'000's)				
Category	2020 Annual Budget	Q3 Cumulative Budget	Actual to Date	Variance
Salary	2,764	2,059	1,856	(203)
Tools & Technology	130	104	131	27
Training	56	42	17	(25)
Professional Memberships	18	14	16	2
Contracted Services	4	4	0	(4)
Employee Recognition	3	2	0	(2)
Office Operating Costs	49	40	42	2
Total	3,024	2,265	2,062	(203)



*Recommendations/Corrective Actions are published at www.calgary.ca/whistle

2. Initiative Briefing - TeamMate+ Conversion

The City Auditor's Office (CAO) has been using the audit software, TeamMate, since 2005 to plan, conduct and store the results of audits. Teammate supports the CAO and our four guiding principles (4 R's) of **Resiliency, Reliability, Responsiveness** and **Risk Reduction**. It also dependably enhances our office productivity, reporting and monitoring capabilities. However, the TeamMate version we utilize is being phased out making it necessary to transition to TeamMate+, an upgrade of the software, which features a cloud-based format. This transition will be complete in early 2021.

The CAO is working collaboratively, with The City's IT group and Wolters Kluwer as owner of the software. Although the implementation process will require the focused support of less than 25% of CAO staff resources, all audit staff will be required to participate in a series of training sessions facilitated by Wolters Kluwer during Q4 2020. We believe the benefits to be gained from the new software in sustaining our 4 R's far outweighs the short-term interruption to our audit work.



Once implemented, TeamMate+, via a cloud-based web portal, will be fully utilized by the CAO to provide continued efficiency benefits specific to the operation and delivery of audit assurance service including:

- Audit planning, test documentation and results reporting;
- Audit risk universe, scoring and trending management;
- Audit observation and recommendation tracking; and
- Additional reporting tools and surveys.

Upgrading to TeamMate+ also provides associated storage cost savings and performance benefits to the CAO including:

- Improved accessibility through the internet and City-owned mobile devices;
- Improved scalability of storage space; and
- Upgraded security patches.

2020 Audit Plan – Status as at September 30, 2020

2019-2020 Audit Plan				
#	Title	Description	Report Target	Status
2019 Carry Forward				
1	Elections Follow-up	A follow-up audit to review action plans implemented in response to the 2017 Municipal Election Review (AC2018-0852). <i>Citizen Priority – A Well-Run City</i>	Q1, 2020	Complete/ reported 2/13/2020
2	Budget Management	An operational audit of processes and reporting tools available to DeptID owners to support effective management of their operating budget. <i>Citizen Priority – A Well-Run City</i>	Q1, 2020	Complete/ reported 3/12/2020
3	Corporate Issue Management Program	An operational audit on the maturity of The City's Corporate Issue Management Program. <i>Citizen Priority – A Well-Run City</i>	Q1, 2020	Complete/ reported 3/12/2020
4	Calgary Fire – Inspections	An operational audit of the efficiency and effectiveness of Calgary Fire's inspection activities. <i>Citizen Priority – A City of Safe and Inspiring Neighbourhoods</i>	Q2, 2020	Complete/ reported 7/23/2020
5	Roads – Pothole Remediation	An operational audit of the efficiency and effectiveness of pothole remediation. <i>Citizen Priority – A City that Moves</i>	Q2, 2020	Complete/ reported 6/11/2020
2020 Audits				
1	Opportunity Calgary Investment Fund	An operational audit of Opportunity Calgary Investment Fund's grant administration. <i>Citizen Priority – A Prosperous City</i>	Q2, 2020	Complete/ reported 7/23/2020

2019-2020 Audit Plan				
#	Title	Description	Report Target	Status
2020 Audits				
2	Green Line Project Governance Follow-up	A follow-up audit to assess the effectiveness of actions implemented in response to the 2019 Green Line Project Governance Audit (AC2019-0353). <i>Citizen Priority – A City that Moves</i>	Deferred	Proposed 2021 Audit Plan
3	Assessment Complaints	An operational audit to assess the effectiveness of the processes Assessment have implemented to minimize the risk of complaints increasing in volume. <i>Citizen Priority – A Prosperous City</i>	Q3	Reporting
4	Industrial Control Systems Security Audit	A technology and governance audit of the complex industrial control systems that support critical infrastructure in the Water and Transit business units. <i>Citizen Priority – A Well-Run City</i>	Deferred	Proposed 2021 Audit Plan
5	Integrated Risk Management	An operational audit assessing the effectiveness of the Integrated Risk Management Program, which is a recurring audit (AC2014-0295) required under The Institute of Internal Auditor's International Standards for the Professional Practice of Internal Auditing. <i>Citizen Priority – A Well-Run City</i>	Q1 2021	Planning

2019-2020 Audit Plan				
#	Title	Description	Report Target	Status
2020 Audits				
6	Safety Management	An operational audit assessing Administration's effective utilization of the Occupational Health and Safety Management Systems and related tools that support The City's objectives of a safe and healthy workplace for City employees. <i>Citizen Priority – A Well-Run City</i>	Deferred	Proposed 2021 Audit Plan
7	311 Response	A City-wide operational audit assessing the effectiveness of processes to respond to citizen concerns received through 311. <i>Citizen Priority – A Well-Run City</i>	Q1 2021	Fieldwork
8	Councillor Expenses	An audit of Councillor expenses at the request of Council in response to Notice of Motion C2020-0263. <i>Citizen Priority – A Well-Run City</i>	Q3	Complete/ reported 7/27/2020
9	Cyber Security Incident Response Follow-up Audit	A follow-up audit to review action plans implemented in response to the 2018 Cyber Security Incident Response Audit (AC2018-0410). <i>Citizen Priority – A Well-Run City</i>	Q1 2021	Fieldwork

Q3 2020 Recommendation Follow-up – In Progress Action Plans

Q3 2020 ACTION PLANS REQUIRING ADDITIONAL TIME TO IMPLEMENT			
Report # & Title	# of Revisions	New Revised Date	Recommendation
AC2018-1008 Open Data Program	2	12/31/21	#6-The Chief Information Technology Officer in consultation with the Information Management and Security Governance Committee to define, document and communicate roles and responsibilities for data stewards taking into consideration the Open Data initiative.
AC2019-0678 Emergency Management	1	01/15/21	#1d)- The Leader, Continuity & Risk Reduction, CEMA to define a process to support escalation of non-compliance to ALT, which could include a periodic report to ALT on the completion of continuity strategies that support essential services by the BUs and the documentation of BCP exercises by the BUs.
AC2019-0678 Emergency Management	2	01/15/21	#3- The Leader, Continuity and Risk Reduction, CEMA to document the review process for the Corporate Business Continuity Plan and, if needed, update the document.
AC2019-1027 Supply Management Warehouse and Inventory Control	2	10/30/20	#1b)- Manager, Warehouse and Inventory, to work with IT to investigate and resolve the operation of the FSCM embedded approval process to ensure that write-offs greater than tolerance levels are validated and approved by an authorized employee who did not complete the inventory count.
AC2019-1240 Waste and Recycling - Blue Cart Contamination Prevention	1	12/31/20	#2- The Manager of Infrastructure and Program Management develop and document an enforcement approach, which includes processes for escalating: <ul style="list-style-type: none"> • Hazardous waste identified for resolution/removal prior to the next collection; and • Serious persistent contamination to Bylaw Services, including consideration of issuance of fines.
AC2020-0297 Corporate Issue Management Program	1	11/30/21	#1- The City Manager, in conjunction with the City Solicitor, to consider alternative approaches, as described in Table 1 in this report, for the effective and efficient prevention and management of significant issues.
AC2020-0764 Opportunity Calgary Investment Fund Administration	1	09/30/20	#3- The OCIF Chief Financial Officer implement a process to record the Sub-Committee's advice and SMT's responses and follow-up actions.