



## AGENDA

### AUDIT COMMITTEE

October 17, 2024, 9:30 AM

### ENGINEERING TRADITIONS COMMITTEE ROOM

#### Members

Councillor E. Spencer, Chair  
Councillor R. Pootmans, Vice-Chair  
Councillor C. Walcott  
Councillor J. Wyness  
Public Member K. Kim  
Public Member C. McGillivray  
Public Member J. Naicker  
Mayor J. Gondek, Ex-Officio

#### SPECIAL NOTES:

*Public are encouraged to follow Council and Committee Meetings using the live stream: [www.calgary.ca/watchlive](http://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, 2024 September 19
5. CONSENT AGENDA
  - 5.1 DEFERRALS AND PROCEDURAL REQUESTS  
None
6. POSTPONED REPORTS  
*(including related/supplemental reports)*  
None
7. ITEMS FROM OFFICERS, ADMINISTRATION AND COMMITTEES

- 7.1 Corporate Risk Appetite and Tolerance Update, AC2024-0972  
Attachment 3 held confidential pursuant to Section 24 (Advice from officials) of the *Freedom of Information and Protection of Privacy Act*.

**Review By: 2029 October 17**

- 7.2 Annual Control Environment Assessment Report, AC2024-1031  
Attachment 4 held confidential pursuant to Sections 24 (Advice from officials) and 25 (Disclosure harmful to economic and other interests of a public body) of the *Freedom of Information and Protection of Privacy Act*.

**Review By: 2026 January 01**

- 7.3 City Auditor's Office 3rd Quarter 2024 Report, AC2024-1148

- 7.4 Audit Committee Infrastructure Review Working Group Update, AC2024-1127  
Attachment held confidential pursuant to Section 24 (Advice from officials) of the *Freedom of Information and Protection of Privacy Act*.

**Review By: 2025 June 30**

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 External Auditor (Verbal), AC2024-1122  
Held confidential pursuant to Section 24 (Advice from officials) of the *Freedom of Information and Protection of Privacy Act*.

- 10.1.2 Audit Forum (Verbal), AC2024-1121  
Held confidential pursuant to Section 24 (Advice from officials) of the *Freedom of Information and Protection of Privacy Act*.

- 10.1.3 City Auditor (Verbal), AC2024-1123  
Held confidential pursuant to Section 24 (Advice from officials) of the *Freedom of Information and Protection of Privacy Act*.

10.2 URGENT BUSINESS

11. BRIEFINGS  
None

12. ADJOURNMENT





**MINUTES**  
**AUDIT COMMITTEE**

**September 19, 2024, 9:30 AM**  
**ENGINEERING TRADITIONS COMMITTEE ROOM**

**PRESENT:** Councillor E. Spencer, Chair  
Councillor R. Pootmans, Vice-Chair  
Councillor J. Wyness  
Public Member K. Kim  
Public Member J. Naicker  
Councillor T. Wong

**ABSENT:** Councillor C. Walcott (Council Business)  
Public Member C. McGillivray

**ALSO PRESENT:** Chief Financial Officer C. Male  
General Manager D. Hamilton  
City Auditor L. Ormsby  
External Auditor H. Gill  
Executive Advisor C. Smillie  
A/City Clerk S. Lancashire  
Legislative Advisor J. Phillips

1. **CALL TO ORDER**

Councillor Spencer called the meeting to order at 9:33 a.m.

**ROLL CALL**

Councillor Pootmans, Councillor Wyness, Public Member Kim, Public Member Naicker, and Councillor Spencer

Absent from Roll Call: Councillor Walcott and Public Member McGillivray.

2. **OPENING REMARKS**

Councillor Spencer provided opening remarks and a traditional land acknowledgement.

3. **CONFIRMATION OF AGENDA**

**Moved by** Public Member Kim

That the Agenda for the 2024 September 19 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, 2024 July 25

**Moved by** Public Member Naicker

That the Minutes of the 2024 July 25 Regular Meeting of the Audit Committee be confirmed.

**MOTION CARRIED**

5. CONSENT AGENDA

5.1 DEFERRALS AND PROCEDURAL REQUESTS

None

6. POSTPONED REPORTS

None

7. ITEMS FROM OFFICERS, ADMINISTRATION AND COMMITTEES

7.1 Calgary Housing 2023 Annual Report, AC2024-0969

Attachment 1 was distributed with respect to Report AC2024-0969.

**Moved by** Councillor Wyness

That with respect to Report AC2024-0969, the following be approved:

That the Audit Committee receive this report and presentation for the Corporate Record.

For: (5): Councillor Spencer, Councillor Pootmans, Councillor Wyness, Public Member Kim, and Public Member Naicker

**MOTION CARRIED**

7.2 Attainable Homes Calgary Corporation 2023 Annual Report, AC2024-0968

**Moved by** Public Member Kim

That with respect to Report AC2024-0968, the following be approved:

That the Audit Committee:

1. Receive this report and presentation for the Corporate Record; and
2. Direct that Attachments 9(a) and 9(b), and the Closed Meeting discussions, be held confidential pursuant to Sections 24 (Advice from officials) and 25 (Disclosure harmful to economic and other interests of a public body) of the *Freedom of Information and Protection of Privacy Act*; to be reviewed by 2039 September 19.

For: (5): Councillor Spencer, Councillor Pootmans, Councillor Wyness, Public Member Kim, and Public Member Naicker

**MOTION CARRIED**

7.3 Silvera for Seniors 2023 Annual Report, AC2024-0970

**Moved by** Councillor Wyness

That pursuant to Sections 24 (Advice from officials) and 25 (Disclosure harmful to economic and other interests of a public body) of the *Freedom of Information and Protection of Privacy Act*, Committee now move into Closed Meeting, at 11:24 a.m. in the Engineering Traditions Committee Room, to discuss confidential matters with respect to Item 7.3 Silvera for Seniors 2023 Annual Report, AC2024-0970.

And further, that the following be authorized to attend the Closed Meeting with respect to Item 7.3: Harman Gill, Sanjeev Rajani, Nicole Torggrimson, and Simona Milojevik, External Auditors (Deloitte LLP), and Arlene Adamson, Allan Mowbray, Doug Ng, and Bruce Stewart (Silvera for Seniors).

And further, that Committee suspend Section 78(2)(a) of the Procedure Bylaw to forego the lunch recess to complete the Agenda.

For: (5): Councillor Spencer, Councillor Pootmans, Councillor Wyness, Public Member Kim, and Public Member Naicker

**MOTION CARRIED**

People in attendance during the Closed Meeting discussions with respect to Report AC2024-0970:

Clerks: S. Lancashire, J. Phillips, and J. Booth. Advice: C. Male, L. Ormsby, C. Smillie, and A. Brown. External: H. Gill, S. Milojevik, A. Adamson, A. Mowbray, B. Stewart, and D. Ng.

Committee reconvened in public meeting at 11:56 a.m. with Councillor Spencer in the Chair.

ROLL CALL

Councillor Pootmans, Councillor Wyness, Public Member Kim, Public Member Naicker, and Councillor Spencer.

Absent from Roll Call: Councillor Walcott, and Public Member McGillivray

**Moved by** Councillor Pootmans

That Committee rise and report.

**MOTION CARRIED**

**Moved by** Public Member Kim

That with respect to Report AC2024-0970, the following be approved:

That the Audit Committee:

1. Receive this report and presentation for the Corporate Record; and
2. Direct that Appendices A and B and the Closed Meeting discussions be held confidential pursuant to Sections 24 (Advice from officials) and 25 (Disclosure harmful to economic and other interests of a public body) of the *Freedom of Information and Protection of Privacy Act*, to be reviewed by 2039 September 19.

For: (5): Councillor Spencer, Councillor Pootmans, Councillor Wyness, Public Member Kim, and Public Member Naicker

**MOTION CARRIED**

7.4 Clean Energy Improvement Program Audit, AC2024-0960

**Moved by** Councillor Pootmans

That with respect to Report AC2024-0960, the following be approved:

That the Audit Committee:

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

For: (5): Councillor Spencer, Councillor Pootmans, Councillor Wyness, Public Member Kim, and Public Member Naicker

**MOTION CARRIED**

7.5 Water Metering Audit, AC2024-1033

**Moved by** Public Member Naicker

That with respect to Report AC2024-1033, the following be approved:

That the Audit Committee:

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

For: (5): Councillor Spencer, Councillor Pootmans, Councillor Wyness, Public Member Kim, and Public Member Naicker

**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

**Moved by** Councillor Wyness

That pursuant to Section 24 (Advice from officials) of the *Freedom of Information and Protection of Privacy Act*, Committee now move into Closed Meeting, at 12.17 p.m in the Engineering Traditions Committee Room, to discuss confidential matters with respect to the following Items:

- 10.1.1 External Auditor (Verbal), AC2024-0966
- 10.1.2 Audit Forum (Verbal), AC2024-0965
- 10.1.3 City Auditor (Verbal), AC2024-0967

And further, that the following be authorized to attend the Closed Meeting with respect to Items 10.1.1 and 10.1.2: Harman Gill, Sanjeev Rajani, Nicole Torgerson, and Simona Milojevik, External Auditors (Deloitte LLP).

For: (5): Councillor Spencer, Councillor Pootmans, Councillor Wyness, Public Member Kim, and Public Member Naicker

**MOTION CARRIED**

Committee reconvened in public meeting at 1:52 p.m. with Councillor Spencer in the Chair.

ROLL CALL

Councillor Pootmans, Councillor Wyness, Public Member Kim, Public Member Naicker, and Councillor Spencer

Absent from Roll Call: Councillor Walcott and Public Member McGillivray

**Moved by** Public Member Naicker

That Committee rise and report.

**MOTION CARRIED**

10.1 ITEMS FROM OFFICERS, ADMINISTRATION AND COMMITTEES

10.1.1 External Auditor (Verbal), AC2024-0966

No report given.

10.1.2 Audit Forum (Verbal), AC2024-0965

People in attendance during the Closed Meeting discussions with respect to Confidential Verbal Report AC2024-0965:

Clerks: S. Lancashire, J. Phillips, and J. Booth. Advice: C. Male, L. Ormsby, T. Rathie, C. Smillie, A. Brown, and S. Wyton. External: H. Gill.

**Moved by** Councillor Pootmans

That with respect to Confidential Verbal Report AC2024-0965, the following be approved:

That the Audit Committee:

1. Proceed with the procurement process to retain the services of an external consultant to review the Critical Infrastructure Identification and Asset Re-Investment Decision Making components of the Corporate Asset Management Plan;
2. Direct that an Infrastructure Review Working Group be established to develop the project scope and oversee the external consultant;
3. Appoint the following members of the Audit Committee to the Infrastructure Review Working Group:
  - Councillor Spencer
  - Councillor Wyness
  - Public Member Kim
  - Public Member Naicker
4. Direct the Infrastructure Review Working Group to report to the 2024 October 17 Regular Meeting of the Audit Committee with an update on their progress; and
5. Direct that the Closed Meeting discussions be held confidential pursuant to Section 24 (Advice from officials) of the *Freedom of Information and Protection of Privacy Act*.

For: (5): Councillor Spencer, Councillor Pootmans, Councillor Wyness, Public Member Kim, and Public Member Naicker

**MOTION CARRIED**

#### 10.1.3 City Auditor (Verbal), AC2024-0967

Administration in attendance during the Closed Meeting discussions with respect to Confidential Verbal Report AC2024-0967:

Clerks: S. Lancashire, J. Phillips, and J. Booth. Advice: L. Ormsby and C. Smillie.

**Moved by** Public Member Kim

That with respect to Confidential Verbal Report AC2024-0967, the following be approved:

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

For: (5): Councillor Spencer, Councillor Pootmans, Councillor Wyness, Public Member Kim, and Public Member Naicker

**MOTION CARRIED**

10.2 URGENT BUSINESS

None

11. BRIEFINGS

None

12. ADJOURNMENT

**Moved by** Councillor Wyness

That this meeting adjourn at 1:54 p.m.

**MOTION CARRIED**

The following Items have been forwarded to the 2024 October 29 Regular Meeting of Council:

CONSENT AGENDA

- Clean Energy Improvement Program Audit, AC2024-0960
- Water Metering Audit, AC2024-1033

The next Regular Meeting of the Audit Committee is scheduled to be held on 2024 October 17 at 9:30 a.m.

CONFIRMED BY COMMITTEE ON

\_\_\_\_\_  
CHAIR

\_\_\_\_\_  
CITY CLERK



**Corporate Planning & Financial Services Report to  
Audit Committee  
2024 October 17**

**ISC: UNRESTRICTED  
AC2024-0972**

## **Corporate Risk Appetite and Tolerance Update**

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### **PURPOSE**

The purpose of this report is to update the Audit Committee on the progress of The City's risk appetite and tolerance initiatives. Risk appetite and tolerance levels are a standard, and critical component of aligning risk management with an organization's strategic goals. Risk appetite and tolerance will also support effective decision-making across the organization.

### **PREVIOUS COUNCIL DIRECTION**

The Audit Committee's 2024 Work Plan, approved on 2023 December 14, directed the Enterprise Risk Management (ERM) team to report on work related to risk appetite and tolerance as part of the broader initiative to achieve an Advanced (Tier 4) level of risk maturity. This report follows up on that directive.

### **RECOMMENDATION(S):**

That the Audit Committee recommend that Council:

1. Receive this report and presentation for information and the Corporate Record.
2. Direct that Attachment 3 remain confidential pursuant to Section 24 (Advice from officials) of the *Freedom of Information and Protection of Privacy Act*; to be reviewed by 2029 October 17.

### **CHIEF ADMINISTRATIVE OFFICER/GENERAL MANAGER COMMENTS**

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

### **HIGHLIGHTS**

- Risk appetite and tolerance are critical for The City's ability to manage risks effectively while aligning with strategic goals.
- They ensure consistent and appropriate risk-taking behaviours across the organization and help decision-makers evaluate the trade-offs between risks and opportunities.
- Progress has been made in key areas such as strategic alignment, risk analytics, and risk governance to better support risk-based decision making.
- While progress has been made, further work is needed including engagement with the Executive Leadership Team (ELT), the Audit Committee, and Council to define organizational risk appetite and tolerance levels.

### **DISCUSSION**

As The City progresses towards an Advanced level of risk maturity, risk appetite and tolerance will continue to play a key role in aligning risk-taking behaviours with The City's strategic objectives. Risk appetite and tolerance is a means to provide enterprise-wide understanding and to document how much risk an organization should take in pursuing its desired results. This framework will provide a structured approach to:

## Corporate Risk Appetite and Tolerance Update

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- **Setting clear expectations:** Council and Administration will work tougher to articulate risk appetite levels, which will guide Administration's appropriate operational processes and policies.
- **Guiding decision-making:** The framework provides a clear and consistent approach to evaluating potential risks and rewards. This enables informed decision-making that supports the City's strategic objectives.
- **Promoting consistency:** Risk appetite and tolerance decisions will cascade throughout the organization as it fosters consistent management of risks at different levels, in different operational areas. It will also continue to evolve as part of the broader top-down, bottom-up risk program established at The City.

While risk appetite defines how much risk The City is willing to take to achieve its goals, risk tolerance defines the level of risk that can be absorbed without materially impacting the achievement of those goals. Together, risk appetite and tolerance help decision-makers weigh risk trade-offs and supports consistent management of risks throughout the organization.

The ERM team has made significant progress across three pillars:

1. **Strategic Alignment:** Risk appetite and tolerance are integrated into service planning and major projects. Further engagements with the Executive Leadership Team (ELT) and Audit Committee will continue.
2. **Risk Analytics:** Key Risk Metrics are being developed to track and monitor The City's risk exposure in relation to its strategic objectives. Further work will focus on applying these metrics and building new tools.
3. **Risk Governance:** Pilot projects have refined risk escalation processes and developed guidelines for risk communication. Broader application across the organization is planned.

Upcoming work includes further refinement of risk appetite and tolerance levels, broader application to governance frameworks, and ongoing reporting to the Audit Committee.

## EXTERNAL ENGAGEMENT AND COMMUNICATION

- |  |   |
|--|---|
| <input type="checkbox"/> Public engagement was undertaken        | <input type="checkbox"/> Dialogue with interested parties was undertaken                |
| <input type="checkbox"/> Public/interested parties were informed | <input checked="" type="checkbox"/> Public communication or engagement was not required |

## IMPLICATIONS

### Social

Risk appetite and tolerance reflects The City's commitment to protecting the well-being of Calgarians. By incorporating social impacts into decision-making, these frameworks ensure that risk management aligns with the community's values and priorities.

**Corporate Planning & Financial Services Report to  
Audit Committee  
2024 October 17**

**ISC: UNRESTRICTED  
AC2024-0972**

## **Corporate Risk Appetite and Tolerance Update**

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### **Environmental**

By establishing clear risk appetite and tolerance levels, The City can proactively identify and manage climate-related and environmental risks, ensuring the resilience of our communities and ecosystems. This approach supports the achievement of The City's strategic climate and environmental goals.

### **Economic**

The frameworks enable informed decision-making, ensuring that resources are allocated efficiently and effectively, maximizing the economic benefits for The City while safeguarding against potential financial risks.

### **Service and Financial Implications**

### **No anticipated financial impact**

### **RISK**

The successful implementation of risk appetite and tolerance will support The City's decision-making; however, it is not without its challenges. Potential risks include misalignment between risk appetite and strategic objectives, and an inadequate understanding of The City's risk capacity. If risk appetite or tolerance bands are set too narrow, The City will not have flexibility to address unforeseen challenges nimbly. Meanwhile, if they are set too broad, they will not support decision making effectively. These risks can lead to missed opportunities, excessive risk-taking, or decisions that strain The City's financial and operational capabilities. To address these risks, we will maintain ongoing engagement with senior leaders and decision makers, ensuring strategic alignment; regularly update risk metrics to inform decision-making; and continuously refine our risk governance frameworks to adapt to The City's evolving risk landscape. By actively addressing these challenges, The City can leverage the frameworks effectively, promoting informed decision-making, and fostering a balance between risk-taking and caution that protects The City's interests.

### **ATTACHMENT(S)**

1. Background and Previous Council Direction
2. Risk Appetite and Tolerance Update
3. Confidential-Appling Risk Appetite and Tolerance: Case Study Insights
4. Presentation

Department Circulation

General Manager/Director	Department	Approve/Consult/Inform
Chief Financial Officer and General Manager Carla Male	Corporate Planning and Financial Services	Approve
Director Chris Stewart	Corporate Planning and Performance	Approve

Author: Enterprise Risk Management Team





# Background and Previous Council Direction

## Background

The City of Calgary is advancing toward an Advanced (Tier 4) level of risk maturity, with a focus on implementing Risk Appetite and Tolerance frameworks. These frameworks guide decision-makers by defining the level of risk The City is willing to take and tolerate to achieve its goals. The Enterprise Risk Management (ERM) team is leading this initiative, focusing on three key pillars: alignment to strategy, risk analytics, and risk governance.

Progress has been made integrating these frameworks into service planning, budgeting, and project management, with further engagement planned to ensure consistency across the organization.

## Previous Council Direction

The table below lists details of recent reports, conversations and decisions conducted on risk appetite and tolerance in reverse chronological order.

Date	Report Number	Title	Description
2024 July 25	AC2024-0518	2024 Mid-Year Principal Corporate Risk Update	The 2024 Mid-Year Principal Corporate Risk Update was provided to the Audit Committee on 2024 July 25. In it the Enterprise Risk Management team noted Administration is continuing to build awareness and understanding of risk appetite and tolerance across the organization and how continued engagement with the ELT and Audit Committee is needed.
2024 January 18	AC2024-0038	2023 Year-End Principal Corporate Risk Update	The 2023 Year-End Principal Corporate Risk Update was provided to the Audit Committee on 2024 January 18. This report presented certain foundational components of risk appetite and tolerance such as Target Residual Risk Ratings and Key Risk Metrics for The City's Principal Corporate Risks.
2023 December 14	AC2023-1229	Audit Committee 2024 Workplan	Directed that the Chief Administrative Officer and General Manager, Corporate Planning and Financial services provide the Annual Principal Corporate Risk Report on 2024 January 18. Also directed that an Enterprise Risk Management (ERM) Update (including Information Technology) and an update on the Principal Corporate risks be brought forward on 2024 July 25.

<b>2023 January 19</b>	AC2023-0011	Annual Principal Corporate Risk Report	Presented status update on the Enterprise Risk Management program's audit recommendations. This included advancing The City's current understanding, and need for certain underlying pieces, to further risk appetite and tolerance related work.
<b>2022 July 21</b>	AC2022-0800	Integrated Risk Management Mid-Year Update (Including Information Technology)	Describes the work being undertaken to update risk appetite material with some of the key future developments being highlighted. This report demonstrated the Principal Corporate Risks aligned to areas to take and avoid risk. IT also presented general principles to inform risk appetite and tolerance decisions at The City.

## Bylaws, Regulations, Council Policies

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### **Audit Committee Bylaw (33M2020)**

The mandate of the Audit Committee includes assisting Council in fulfilling its oversight and stewardship responsibilities by gaining and maintaining reasonable assurance in relation to risk management (Section 4(1)(ii)).

The Audit Committee is authorized to request reports from the City Manager on The City's Integrated Risk Management and corporate risks, at least twice a year (Section 5(c)(ii)).

The Audit Committee oversees The City's process of risk identification, analysis, and management procedures to mitigate risk (Schedule A, 4(b)).

### **Integrated Risk Management Council Policy (CC011)**

On 2020 February 3, the updated Integrated Risk Management Policy was approved by Council (AC2020-0022). It states that: "Council and senior management are responsible for setting risk appetite and risk tolerance for the organization." Council adopted the Policy to provide a more systematic and consistent approach to risk management at The City of Calgary.

## Risk Appetite and Tolerance Update

As The City continues its journey towards an Advanced level of risk maturity, risk appetite and tolerance will play a key role in getting us there. The Enterprise Risk Management (ERM) team is leading this work using a phased approach to build a solid foundation upon which further risk management advancements can be made. In order to do so, we are focusing on three pillars: alignment to strategy, risk analytics, and risk governance to support risk-based decision making.

Risk appetite and tolerance are important to the organization because:

- They translate our values into measurable results that can be evaluated and adjusted as context changes – we want to take risk in order to achieve what's important to us, while avoiding negative impacts to the things we want to protect. Risk appetite and tolerance enable more consistent risk taking throughout the organization.
- There are a lot of pressures on the organization right now, and risk appetite is a useful tool to bring information about all the pressures together in a consistent manner. It also supports resilience by being realistic about what kinds of impacts the organization can absorb and preparing for all kinds of risks that come our way.
- It also complements our advancements in the quantification of risk assessments which provides insight into risk trends and effectiveness of risk management strategies.
- Risk can be both positive and negative in terms of the kinds of impacts the organization could experience. Risk appetite plays an important role in weighing risk trade-offs between options or alternate courses of action by providing more structure when making those decisions.
- It is important for decision makers to know the risk capacity of the organization. Risk tolerance helps leaders recognize and agree upon how much risk The City can absorb.

### What are risk appetite and tolerance?

The ERM team has developed a risk glossary to ensure consistent and clear understanding of our risk terminology. In it, risk appetite and tolerance are defined as:

**Risk Appetite** – The level of risk that the organization is willing to accept to achieve its results. The City's risk appetite scale consists of five levels: averse, minimalist, cautious, open, and motivated.

**Risk Tolerance** – The amount of risk that the organization can assume without material impact on the achievement of results.

<b>Level 1 Averse</b>	<b>Level 2 Minimalist</b>	<b>Level 3 Cautious</b>	<b>Level 4 Open</b>	<b>Level 5 Motivated</b>
The City is not willing to accept risk under <b>any</b> circumstances	The City is not willing to accept risk in <b>most</b> circumstances	The City is willing to accept risk in <b>certain</b> circumstances	The City is willing to <b>accept risks</b>	The City accepts opportunities that are inherently <b>high</b> risk

In other words, risk appetite is how much risk we, as an organization, are comfortable, and able, to take on. Meanwhile, risk tolerance is broader, it is the level of risk that we could take on without significantly impacting our ability to deliver services and achieve other critical results.

### Measuring risk appetite and tolerance

Risk analysis always utilizes a mix of both quantitative and qualitative assessments. It is critical to have good metrics and evidence-based support for decision making. However, interpreting and applying this information is always needed. Further, some risks are inherently more quantifiable than others. For

example, the cost of repairing or replacing an asset might be easily calculated, but how important that asset is to you in the first place may be a qualitative judgement.

Effective use of risk appetite and tolerance to improve decision-making requires a solid understanding of the opportunities, costs, benefits, and impacts of risk events, as well as an agreed upon framework of what is most important to an organization.

This blend of risk quantitative and qualitative assessment is present in the three pillars the ERM team is focusing on for risk appetite and tolerance.

1. Strategy defines our goals as an organization. It delineates why we want to take risk and helps identify which risks are important to us.
2. Risk analytics ensure we have the right information and are using evidence to support our decision making. It measures and monitors how closely our risk exposure and performance aligns to our risk appetite.
3. Risk governance is where the first two pillars meet. Risk analytics inform decision makers who align their actions to The City's strategies.

Risk appetite and tolerance then, is guided by strategy, informed by analytics, and applied through the mechanisms of governance.



**What we're working on and what's next**

The table below provides an overview of where we're at with respect to risk appetite and tolerance as it relates each of these pillars:

<i>Pillar</i>	<i>What we've done so far</i>	<i>What's next</i>
<i>Strategic Alignment</i>	<ul style="list-style-type: none"> <li>Engagement with ELT on risk trade-offs.</li> <li>Integration of risk appetite and tolerance into service risk register submissions.</li> <li>Integration of risk appetite and tolerance for Principal Corporate Risks</li> <li>Supporting risk taking and risk reduction strategies for projects.</li> </ul>	<ul style="list-style-type: none"> <li>Further engagement with ELT and Audit Committee on defining risk appetite and tolerance for the organization.</li> <li>Incorporate risk appetite and tolerance levels into strategic decision-making processes.</li> <li>Apply risk appetite and tolerance concepts to other risk strategies such as strategic foresight.</li> </ul>
<i>Risk Governance</i>	<ul style="list-style-type: none"> <li>ERM Glossary with definitions of risk terms, including risk appetite and tolerance.</li> <li>Draft risk escalation guidelines for leaders in the organization.</li> <li>Risk consulting on establishing risk appetite and tolerance levels.</li> </ul>	<ul style="list-style-type: none"> <li>Complete pilot and incorporate feedback on escalation guidelines.</li> <li>Broaden application of risk communication and escalation to more areas of the organization.</li> <li>Update City's risk policy to reflect new developments.</li> </ul>
<i>Risk Analytics</i>	<ul style="list-style-type: none"> <li>Key Risk Metrics are documented and tracked at least twice per year for the PCRs.</li> <li>Demonstrated the interconnections of risk.</li> <li>Preliminary analysis on risk appetite and tolerance based on analysis of bottom-up risk information from our corporate risk review.</li> </ul>	<ul style="list-style-type: none"> <li>Apply appetite and tolerance to key risk metrics in how we monitor and respond to The City's top risks.</li> <li>Building new risk tools to support risk-based decision making, including applying risk appetite and tolerance at different levels of the organization.</li> </ul>

### What does this mean for Audit Committee?

As The City progresses towards an Advanced level of risk maturity, the Audit Committee plays a crucial role in providing the oversight to ensure that risk management practices are aligned with The City's strategic objectives and that risk-taking activities remain within acceptable levels.

Specifically, the Audit Committee will:

- **Review and challenge:** Regularly review and challenge the organization's risk appetite and tolerance statements to ensure they remain relevant and appropriate.
- **Assess reporting:** Evaluate risk reporting to ensure it provides clear insights into The City's risk profile and adherence to risk appetite and tolerance levels.
- **Provide independent assurance:** Offer independent assurance to the Council that risk management practices are robust and aligned with The City's strategic goals.

By actively engaging in these activities, the Audit Committee will contribute significantly to The City's ability to manage risk effectively, make informed decisions, and achieve its objectives while safeguarding its assets and reputation.







# Corporate Risk Appetite and Tolerance Update

AC2024-0972

2024 October 17



# Recommendation

## That the Audit Committee recommend that Council:

- 1 Receive this report and presentation for information and the Corporate Record  
  
Direct that Attachment 3 remain confidential pursuant to Section 24 (Advice from officials) of the *Freedom of Information and Protection of Privacy Act*, to be reviewed by 2029 October 17
- 2

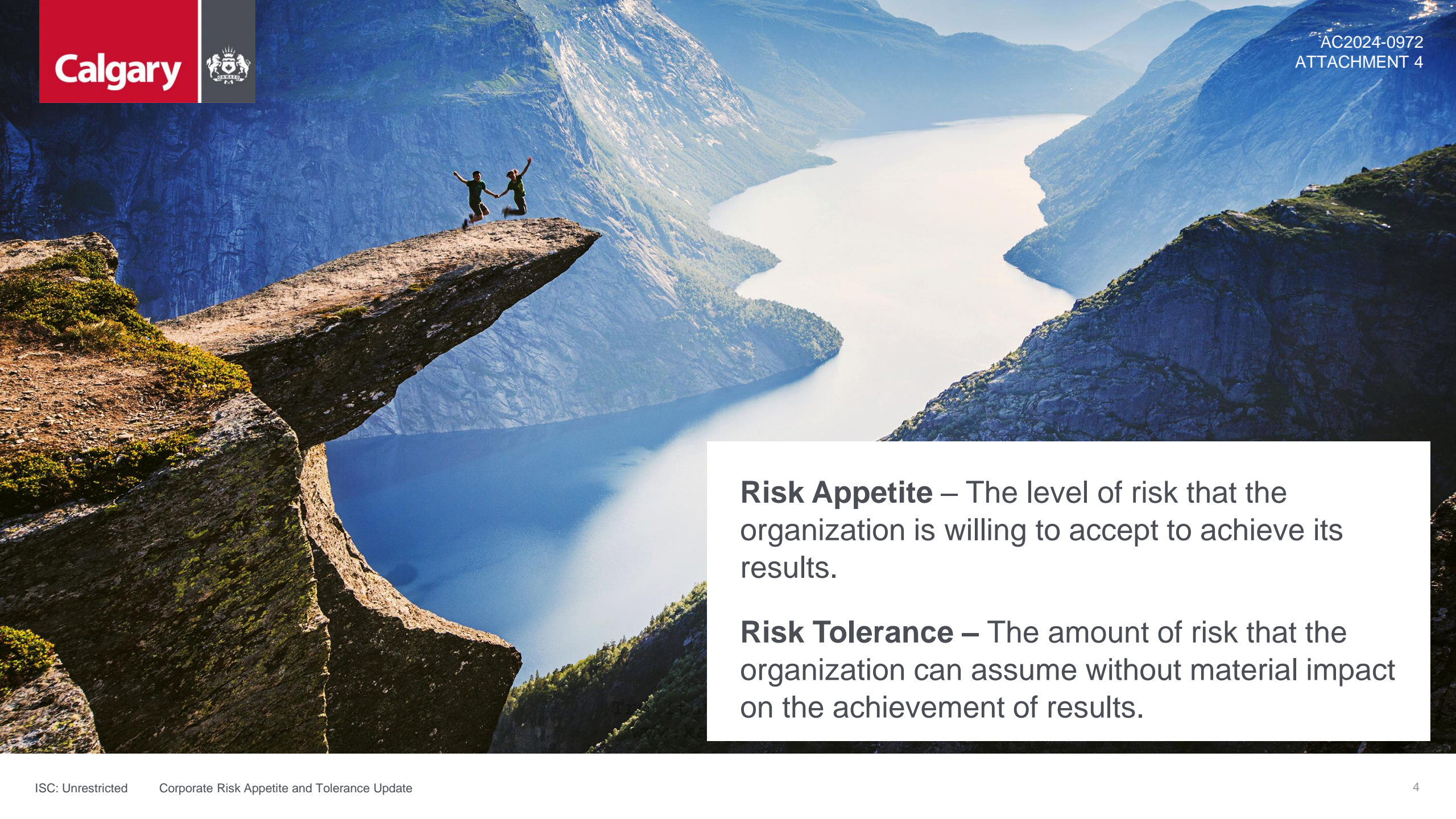


# Highlights

- 1 Risk appetite and tolerance are critical for The City's ability to manage risks effectively while aligning with strategic goals.
- 2 They ensure consistent and appropriate risk-taking across the organization and help decision-makers evaluate the trade-offs between risks and opportunities.
- 3 Progress has been made in key areas such as strategic alignment, risk analytics, and risk governance to better support risk-based decision making.
- 4 While progress has been made, further work is needed including engagement with the Executive Leadership Team (ELT), the Audit Committee, and Council to define organizational risk appetite and tolerance levels.







**Risk Appetite** – The level of risk that the organization is willing to accept to achieve its results.

**Risk Tolerance** – The amount of risk that the organization can assume without material impact on the achievement of results.



# Risk appetite and risk tolerance are critical aspects of a robust risk management program

- Risk appetite and tolerance enables more consistent risk taking throughout the organization.
- A way to address the many pressures on the organization right now. Risk appetite is a useful tool to support resilience.
- An important aspect to weighing risk trade-offs between options or alternate courses of action by providing more structure when making those decisions.
- A method for decision makers to know the risk capacity of the organization. Risk tolerance helps leaders recognize and agree upon how much risk The City can absorb.

# The City’s Risk Appetite Framework

Level 1 Averse	Level 2 Minimalist	Level 3 Cautious	Level 4 Open	Level 5 Motivated
The City is not willing to accept risk under any circumstances	The City is not willing to accept risk in most circumstances	The City is willing to accept risk in certain circumstances	The City is willing to accept risks	The City accepts opportunities that are inherently high risk

# ERM Program – Maturing our Risk Program

Risk appetite and Tolerance requires a blend of risk quantitative and qualitative assessment which is present in the three pillars the ERM team is focusing on for advancing The City's risk maturity.



# Recommendation

## That the Audit Committee recommend that Council:

- 1 Receive this report and presentation for information and the Corporate Record  
  
Direct that Attachment 3 remain confidential pursuant to Section 24 (Advice from officials) of the *Freedom of Information and Protection of Privacy Act*, to be reviewed by 2029 October 17
- 2

Corporate Planning & Financial Services Report to  
Audit Committee  
2024 October 17

ISC: UNRESTRICTED  
AC2024-1031

## Annual Control Environment Assessment Report

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### PURPOSE

This report presents the status of the Control Environment Assessment Program and the 2023 year-end assessment of internal controls over financial reporting and is provided to the Audit Committee for information.

### PREVIOUS COUNCIL DIRECTION

On 2020 January 24, Audit Committee approved (AC2020-0023) that Administration cease the current Annual Control Environment Assessment and develop and implement a project plan to identify, document, and test key internal controls over financial reporting at a demonstrable level with annual updates to the Audit Committee. Refer to Attachment 1 for further direction provided by the Audit Committee for this program.

### RECOMMENDATION(S):

That the Audit Committee:

Direct that Attachment 4 be discussed in closed meeting and remain confidential under Sections 24 (Advice from officials) and 25 (Disclosure harmful to economic and other interests of a public body) of the *Freedom of Information and Protection of Privacy Act (Alberta)*, to be reviewed by 2026 January 01.

### CITY MANAGER/GENERAL MANAGER COMMENTS

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

### HIGHLIGHTS

- Attachment 2 of the report includes an overview of the Control Environment Assessment Program and the 2023 year-end testing results. Overall, the program is proceeding as planned. For the 19 processes tested for the 2023 year-end, Administration has concluded that key internal controls over financial reporting are operating effectively.
- **What does this mean to Calgarians?** The report provides information to the public on The City's internal controls over financial reporting. 97% of key internal controls tested in phase 3 of the program were found to be operating effectively with only 6 minor deficiencies and no significant deficiencies identified. Administration is actively progressing to remediate these deficiencies.
- **Why does this matter?** Assessing and reporting on the effectiveness of The City's internal controls over financial reporting is a component of overall good corporate governance. The assessment enables Administration to:
  - focus on continuous improvement and monitoring of processes and internal controls over financial reporting; and

Corporate Planning & Financial Services Report to  
Audit Committee  
2024 October 17

ISC: UNRESTRICTED  
AC2024-1031

### **Annual Control Environment Assessment Report**

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- provide increased assurance to the Audit Committee and the public on the effectiveness of internal controls.
- The Control Environment Assessment Program includes:
  - high-level documentation of processes in scope;
  - identification and documentation of key internal controls over financial reporting;
  - control walkthroughs;
  - testing of key internal controls over financial reporting; and
  - COSO control environment principles self-assessment.
- The Control Environment Assessment Program is being implemented in phases, over multiple years, as approved by the Audit Committee on 2022 February 10 (AC2022-0106). This is the last phase of the initial 3-year program. Administration has developed a Sustainment Plan for this program, refer to Attachment 3.
- Attachment 4 is confidential and provides a follow-up on the significant deficiencies identified in the 2021 and 2022 Annual Control Environment Assessment Reports. Management has fully remediated several significant deficiencies and has developed action plans to remediate remaining items. The deficiencies have not resulted in a material misstatement of The City's financial statements; however, they are important enough to merit confidential disclosure to the Audit Committee.
- Attachment 5 includes:
  - a self-assessment by various departments on the COSO control environment principles;
  - one area of focused testing to validate the self-assessment with control evidence; and
  - examples where Audit Committee and Council received information in fiscal 2023 from various areas that address certain elements of the COSO control environment principles.

From the self-assessment, Administration has concluded that structures and policies exist to address the COSO control environment principles.

From the area of focused testing, Administration has concluded that the control is designed and operating effectively. A recommendation from the 2022 Annual Control Environment Assessment is currently being addressed.

### **DISCUSSION**

Refer to Attachment 2 of the report for details on the status of the Control Environment Assessment Program and the 2023 year-end assessment.

### **EXTERNAL ENGAGEMENT AND COMMUNICATION**

- |  |   |
|--|---|
| <input type="checkbox"/> Public engagement was undertaken        | <input type="checkbox"/> Dialogue with interested parties was undertaken                |
| <input type="checkbox"/> Public/interested parties were informed | <input checked="" type="checkbox"/> Public communication or engagement was not required |



Corporate Planning & Financial Services Report to  
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**Annual Control Environment Assessment Report**

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**IMPLICATIONS**

**Social**

Not Applicable

**Environmental**

Not Applicable

**Economic**

Not Applicable

**Service and Financial Implications**

**Existing operating funding - base**

Utilizing existing approved operating base budget for this program.

**RISKS**

Significant project risks are as follows:

- 1) Finance and business unit staff may not have sufficient capacity to participate in this annual control assessment due to competing corporate priorities; and
- 2) Additional scope within the Control Environment Assessment Program may occur jeopardizing the approved project timelines and deliverables.

Administration will continue to manage and monitor these risks and if required bring forward to Audit Committee significant issues for discussion and recommendations. Refer to Attachment 2 for current risk responses.

**ATTACHMENT(S)**

1. Previous Council Direction, Background
2. Control Environment Assessment Program & 2023 Year-End Assessment
3. Sustainment Plan and Future Program Activities Planned
4. CONFIDENTIAL - Significant Deficiencies and Management Action Plans
5. COSO Control Environment Principles Self-Assessment and 2023 Reports
6. Presentation, Annual Control Environment Assessment

Department Circulation

General Manager/Director	Department	Approve/Consult/Inform
Les Tochor, Director	Finance	Approve
Carla Male, Chief Financial Officer and General Manager	Corporate Planning & Financial Services (CPFS)	Approve

Author: Todd Rathie, Finance Manager Corporate Financial Reporting



# Background

## Context

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On 2019 February 28, the City Auditor's Office presented the results of its audit of the Annual Control Environment Assessment (AC2019-0214), including three recommendations to improve its effectiveness. In response, Administration committed to consult with members of the Audit Committee and prepare a report to provide recommended alternatives discussing potential changes to a) the appropriate scope of City activities to be covered by the Assessment, and b) the level and detail desired in the disclosure of controls that affect those activities.

Based on consultations held with Audit Committee, two options were identified: 1) Enhance the current process and reporting; or 2) Cease the current Annual Control Environment Assessment and develop and implement a new process for control assessment that identifies key internal controls over financial reporting and documents, tests, and reports on these controls at a demonstrable level.

On 2020 January 24, these 2 options were presented to the Audit Committee with administration recommending the second option which was approved by the Audit Committee (AC2020-0023) as follows:

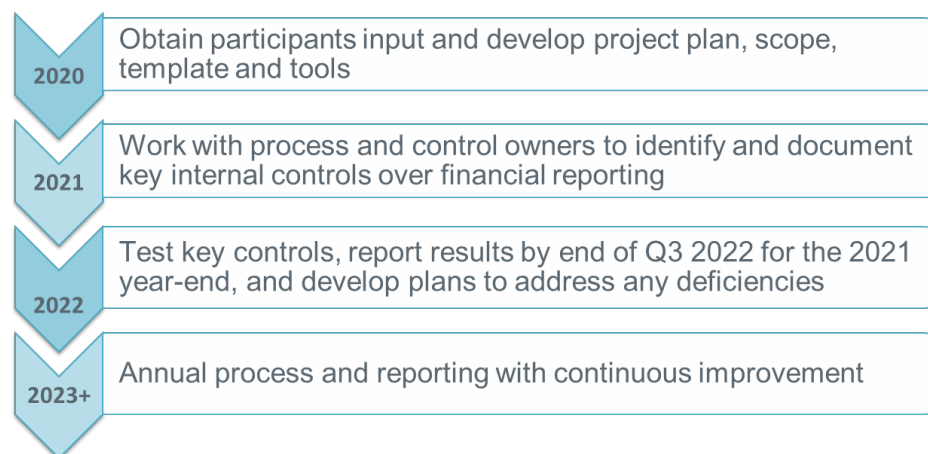
That the Audit Committee direct Administration to:

1. Cease the current Annual Control Environment Assessment effective for the fiscal year end December 31, 2019, and develop and implement a project plan to identify, document, and test key internal controls over financial reporting at a demonstrable level;
2. Provide annual updates to the Audit Committee on the status of the implementation; and
3. Provide a report to the Audit Committee no later than Q3 2022 on the results of the testing of key internal controls over financial reporting for the 2021 year-end, with annual reporting thereafter.

Option 2 was chosen for the following reasons:

- The City Auditor's Office and members of the Audit Committee have expressed a desire to increase assurance for control design and effectiveness at the demonstrable control level;
- Option 2 provides this increased assurance by allowing for the identification and testing of internal controls over financial reporting at the demonstrable level; and
- The results of controls testing would enable Administration to focus on continuous improvement and monitoring of Finance's processes and internal controls, thereby providing more direct value than Option 1.

The following timelines were approved by the Audit Committee (AC2020-0023):



On 2021 January 28, an annual status update on the Control Environment Assessment Redesign project was provided to the Audit Committee (AC2021-0139). Administration reported to the Audit Committee that 2020 deliverables were completed and that the project was progressing as planned. Based on a financial statement risk assessment utilizing both qualitative and quantitative factors, the processes identified as in scope for the project are as follows:

#### Business Processes

- Capital Deposits
- Debt
- Government Grants (to City)
- Banking
- Investments
- Land Inventory
- Landfill Closure Liabilities
- Payroll
- Procure-to-Pay Cycle
- Property Taxation
- Reserves
- Tangible Capital Assets
- Utilities Billing
- Investment Recovery

#### Standard Processes and Controls

- Finance Hiring and Training
- New Accounting Standards
- Period-End Processes
- Journal Entries
- General Ledger Controls
- Budgeting and Executive Reporting
- Annual Report Preparation

Administration also determined the following scope exclusions:

- High-level entity controls are excluded
- Only internal controls over financial reporting and fraud are included, all others are excluded
- Only key internal controls over financial reporting and will be identified, not all internal controls over financial reporting.
  - *Key internal controls provide reasonable assurance that material errors in the financial statements will be prevented or detected in a timely manner.*
- Information Technology general internal controls are excluded, only key internal information technology application controls will be included to the extent they may materially impact financial reporting
- Consolidated entities' internal controls are excluded

On 2022 February 10, an annual status update on the Control Environment Assessment Redesign project was provided to the Audit Committee (AC2022-0106). Administration reported project delays primarily due to resource challenges from competing corporate priorities and recommended a phased implementation of the project as outlined in Attachment 2 of AC2022-0106. Audit committee approved the revised project timelines. Discussions were also held by Audit Committee members on whether the scope of the Control Environment Assessment Redesign Project should be expanded to include an assessment of the Control Environment COSO principles. Audit Committee directed Administration to return to Audit Committee at the 2022 June 16 Meeting with a scoping report.

On 2022 June 16, Administration recommended and Audit Committee approved (AC2022-0597) an additional scope of work for the Control Environment Assessment Redesign Project as follows:

1. Include an Appendix (as illustrated in Attachment 3) in the Annual Control Environment Assessment Report, for information purposes, outlining relevant policy and structure, and inclusive of reports that have addressed elements of the COSO Control Environment Principles in that year; and
2. Appendix 3 content will be self-assessed by various departments and will be updated on an annual basis. Starting in 2023, Administration will identify select areas of focus and validate the self-assessment with control evidence.

On 2022 September 15, the Annual Control Environment Assessment Report was provided to the Audit Committee (AC2022-0958) for information. Administration reported that overall, the program was proceeding as planned and that key internal controls over financial reporting were operating effectively. A few significant deficiencies were identified and management had developed action plans to remediate these items; these deficiencies did not result in a material misstatement of The City's financial statements.

On 2023 October 12, the Annual Control Environment Assessment Report was provided to the Audit Committee (AC2023-1027) for information. Administration reported that overall, the program was proceeding as planned and that key internal controls over financial reporting were operating effectively. One significant deficiency was identified and has now been remediated; this deficiency did not result in a material misstatement of The City's financial statements.

## Previous Council Direction

DATE	REPORT NUMBER	DIRECTION/DESCRIPTION
2019 February 28	AC2019-0214	<p><b>Annual Control Environment Assessment Audit</b></p> <p>the City Auditor's Office presented the results of its audit of the Annual Control Environment Assessment, including three recommendations to improve its effectiveness. In response, Administration committed to consult with members of the Audit Committee and prepare a report to provide recommended alternatives discussing potential changes to a) the appropriate scope of City activities to be covered by the Assessment, and b) the level and detail desired in the disclosure of controls that affect those activities.</p>
2020 January 24	AC2020-0023	<p><b>Annual Control Environment Assessment – Administration Update and Recommendation</b></p> <p>Recommendation approved by the Audit Committee:</p> <p>That the Audit Committee direct Administration to:</p> <ol style="list-style-type: none"> <li>1. Cease the current Annual Control Environment Assessment effective for the fiscal year end December 31, 2019, and develop and implement a project plan to identify, document, and test key internal controls over financial reporting at a demonstrable level as per the timelines set out in Attachment 2 for Option 2;</li> <li>2. Provide annual updates to the Audit Committee on the status of the implementation of Option 2; and</li> <li>3. Provide a report to the Audit Committee no later than Q3 2022 on the results of the testing of key internal controls over financial reporting for the 2021 year-end, with annual reporting thereafter.</li> </ol>
2021 January 28	AC2021-0139	<p><b>Control Environment Assessment Redesign Annual Audit Committee Status Update</b></p> <p>Annual status update provided for information.</p>
2022 February 10	AC2022-0106	<p><b>Control Environment Assessment Redesign Annual Audit Committee Status</b></p> <ol style="list-style-type: none"> <li>1. Annual status update provided for information.</li> <li>2. Audit Committee approved a phased implementation of the project as per Attachment 2, AC2022-0106.</li> <li>3. Audit Committee directed Administration to return to Audit Committee at the 2022 June 16 Meeting with a scoping report.</li> </ol>

2022 June 16	AC2022-0597	<p><b>Control Environment Assessment Redesign–Scoping Report</b></p> <p>Recommendations approved by the Audit Committee:</p> <p>That the Audit Committee approve an additional scope of work for the Control Environment Assessment Redesign Project as follows:</p> <ol style="list-style-type: none"> <li>1. Include an Appendix (as illustrated in Attachment 3) in the Annual Control Environment Assessment Report, for information purposes, outlining relevant policy and structure, and inclusive of reports that have addressed elements of the COSO Control Environment Principles in that year; and</li> <li>2. Appendix 3 content will be self-assessed by various departments and will be updated on an annual basis. Starting in 2023, Administration will identify select areas of focus and validate the self-assessment with control evidence.</li> </ol>
2022 September 15		<p><b>Annual Control Environment Assessment Report</b></p> <p>Recommendations approved by the Audit Committee:</p> <p>That the Audit Committee:</p> <ol style="list-style-type: none"> <li>1. Receives the Annual Control Environment Assessment Report (AC2022-0958) for information; and</li> <li>2. Direct that Attachment 4 be discussed in-camera and remain confidential under Sections 24 (Advice from officials) and 25 (Disclosure harmful to economic and other interests of a public body) of the <i>Freedom of Information and Protection of Privacy Act (Alberta)</i>, to be reviewed by 2025 January 01.</li> </ol>
2023 October 12		<p><b>Annual Control Environment Assessment Report</b></p> <p>Recommendations approved by the Audit Committee:</p> <p>That the Audit Committee:</p> <ol style="list-style-type: none"> <li>1. Direct that Attachment 4 be discussed in-camera and remain confidential under Sections 24 (Advice from officials) and 25 (Disclosure harmful to economic and other interests of a public body) of the <i>Freedom of Information and Protection of Privacy Act (Alberta)</i>, to be reviewed by 2025 January 01.</li> </ol>

## Bylaws, Regulations, Council Policies

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### Bylaw 33M2020 - Audit Committee's Terms of Reference

The Audit Committee's Terms of Reference states that the Committee is responsible for overseeing the integrity of The City's system of internal controls. Administration, through the Finance Business Unit, has provided an Annual Control Environment Assessment to the Audit Committee since 2004.



**Calgary**



# **CONTROL ENVIRONMENT ASSESSMENT PROGRAM & 2023 YEAR-END ASSESSMENT**

**2024 October 17**

## PROGRAM OVERVIEW AND UPDATE

### Current Reporting

<b>Schedule</b>	<b><i>On Track</i></b>
<b>Deliverables</b>	<b><i>Added One New Process to Scope</i></b>

### Prior Reporting

<b>Schedule</b>	<b><i>Slight Delay</i></b>
<b>Deliverables</b>	<b><i>No Scope Revisions</i></b>

The program is being delivered in phases and overall is proceeding as planned. A summary is as follow:

- Controls testing for the journal entry process has been deferred, due to the current redesign project for this process.
- A financial statement risk assessment was conducted in 2023 resulting in the contingencies process being included in the scope of this program.
- Walkthroughs are in-progress for one process, which is anticipated to be completed by the end of this year.
- This is the last phase of the initial three-year Control Environment Assessment Program. Administration has developed a Sustainment Plan for this program, refer to **Attachment 3** for the plan and the future program activities planned.
- Project risks and mitigation are as follows:

<b><i>Risks</i></b>	<b><i>Risk Response</i></b>	<b><i>Risk Owner</i></b>
Finance and business unit staff may not have sufficient capacity to participate in this annual control assessment due to competing corporate priorities which could extend the project timelines.	<ul style="list-style-type: none"> <li>• Continue to monitor the progress of the program.</li> <li>• Communicate the importance of the annual control assessment.</li> <li>• If required, escalate and develop action plans (i.e. reduce project scope and/or extend project timelines) for discussion and approval by Audit Committee.</li> </ul>	Director Finance
Incremental project scope may occur jeopardizing the approved project timelines and deliverables.	<ul style="list-style-type: none"> <li>• Manage expectations within resource capacity and prioritize areas of focus.</li> </ul>	Director Finance

## 2023 INTERNAL CONTROL TESTING RESULTS

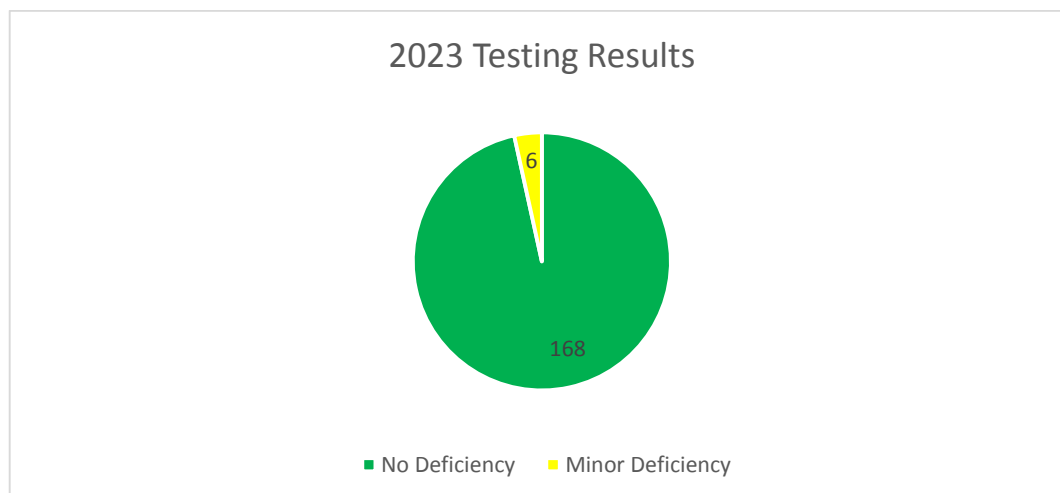
Based on the testing of key internal controls over financial reporting for the 2023 year-end:

- No control deficiencies were identified for 168 (97 per cent) of the 174 key controls tested;
- There were no significant deficiencies or material weaknesses identified; and
- Six minor deficiencies were identified, and management has developed action plans to address these. Minor deficiencies and management action plans have been communicated to the Chief Financial Officer and Director of Finance.

Testing Results by Process

<i>Process</i>	<i># Key Controls Identified</i>	<i># Key Controls Tested *</i>	<i># Controls Effective</i>	<i># Controls Minor Deficiency</i>	<i># Controls Significant Deficiency or Material Weakness</i>
Debt	13	13	13	0	0
Investments	9	9	9	0	0
Landfill Closure Liabilities	4	4	4	0	0
Procure-to-Pay Cycle	15	15	14	1	0
Tangible Capital Assets	15	13	13	0	0
Utilities Billing	6	5	5	0	0
Banking	8	8	7	1	0
Investment Recovery	5	4	4	0	0
Finance Hiring and Training	5	4	4	0	0
New Accounting Standards	3	3	3	0	0
Period-End Processes	8	8	8	0	0
Annual Report Preparation	16	15	14	1	0
Government Grants (to City)	19	13	13	0	0
Land Inventory	24	22	22	0	0
Payroll	15	12	12	0	0
Property Taxation	7	7	7	0	0
Reserves	5	5	5	0	0
General Ledger Controls	13	6	5	1	0
Budgeting and Executive Reporting	9	8	6	2	0
<b>Totals</b>	<b>199</b>	<b>174*</b>	<b>168</b>	<b>6</b>	<b>0</b>

\* The number of key controls tested are lower than key controls identified due to the identification of minor deficiencies identified in prior periods with outstanding deficiencies that have not been remediated. These controls will be tested when the control deficiencies are addressed.



Definitions:

**Control deficiency:** A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis.

Subclassifications of Control Deficiencies include:

- **Minor deficiency:** A deficiency in internal control over financial reporting that is neither a significant deficiency nor a material weakness. Minor deficiencies do not impair the City's ability to obtain reasonable assurance that the control environment is effectively designed and operating to detect and prevent significant errors or misstatements in its financial statements.
- **Significant deficiency:** A deficiency, or a combination of deficiencies in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those responsible for oversight of the City's financial reporting.
- **Material weakness:** A deficiency, or a combination of deficiencies in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented or detected on a timely basis.

Overall Assessment Conclusion
For the 19 processes tested for the 2023 year-end, Administration has concluded that key internal controls over financial reporting are operating effectively.

**FOLLOW-UP ON PRIOR YEAR SIGNIFICANT DEFICIENCIES**

There were eight significant deficiencies identified from prior year Control Environment Assessments. Refer to **Confidential Attachment 4** for an update on seven of these deficiencies. One significant deficiency from the prior year is disclosed publicly and the update is as follows:

<b>Process</b>	Annual Report Preparation
<b>Risk Description</b>	Errors are undetected during the manual consolidation process.
<b>Improvement Point Identified</b>	Due to the complexity of The City's consolidation process, both The City's external auditor and Internal Control & Policy Coordination noted the use of spreadsheets for a complex consolidation is not a best practice as this practice inherently increases the risk of errors relating to incorrect formulas, calculation or simple human errors and data integrity issues that may go undetected by the preparer and the reviewer.
<b>Root Cause</b>	Resource limitation and funding constraints
<b>ICPC Recommendation</b>	The City should utilize a dedicated consolidation information technology software to automate the consolidation to reduce the risk of errors.
<b>Key Control Owner</b>	Finance Manager, Corporate Financial Reporting

<b>Management Response/Action Plan</b>	<p>A business case was approved in November 2022 as part of the 2023-2026 Service Plans and Budgets with funding commencing in 2024. Finance has committed to review the business case in the second half of 2024 to initiate preparation work on the consolidation project. A staff member has been recruited as a subject matter expert resource to join the Finance team to support and deliver this project. Implementation of a consolidation system is a multi-year commitment by The City and will require prioritization in competition with many other high-priority initiatives with benefits primarily qualitative in nature.</p>
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### **MINOR CONTROL DEFICIENCIES**

Minor control deficiencies have been identified in the identification and documentation of controls, control walkthroughs, and testing phases of the program. Management is actively working on remediating minor control deficiencies. As of 2024 June 30, there were 20 minor control deficiencies outstanding, all of which are in progress of remediation. Minor control deficiencies and management action plans have been communicated to the Chief Financial Officer and Director of Finance.

### **COSO CONTROL ENVIRONMENT PRINCIPLES**

Administration has conducted a self-assessment on the COSO control environment principles and has concluded that structures and policies exist to address these principles. Refer to **Attachment 5** for the self-assessment.

In addition, Administration selected one area of focus to validate the self-assessment with control evidence. Refer to **Attachment 5** for further information. From the area of focused testing, Administration has concluded that the control is designed and operating effectively. A recommendation from the 2022 Annual Control Environment Assessment is currently being addressed.

**Attachment 5** also includes examples where Audit Committee or Council received information in fiscal 2023 from various areas that address certain elements of the COSO control environment principles.



## Sustainment Plan and Future Program Activities Planned

The Control Environment Assessment Program is being implemented in phases, over multiple years, as approved by the Audit Committee on 2022 February 10 (AC2022-0106). This is the last phase of the initial three-year program and Administration has developed a Sustainment Plan.

A risk-based approach will be utilized to identify processes that will be tested each year. This approach will allow Administration to focus testing using risk-based criteria and to manage current available staff resources. On a go forward basis, processes will be excluded for testing, for one year, if the below criteria are met:

- Mature process (controls in place for more than three years) and with no history of control deficiencies for the previous two testing periods; or
- Currently or about to go through a major process change.

### Future Program Activities

	2025	2026+
<b>Testing and Reporting</b>	<ul style="list-style-type: none"> <li>• Procure-to-Pay Cycle</li> <li>• Utilities Billing</li> <li>• Banking</li> <li>• Finance Hiring and Training</li> <li>• Annual Report Preparation</li> <li>• Budgeting and Executive Reporting</li> <li>• Government Grants (to City)</li> <li>• Land Inventory</li> <li>• Payroll</li> <li>• Property Taxation</li> <li>• General Ledger Controls</li> <li>• Capital Deposits</li> </ul>	Processes selected for testing based on risk-based criteria. Annual process and reporting with continuous improvements.
<b>Conducting Walkthroughs</b>	Contingencies	Walkthroughs conducted for processes with major process changes. Annual process with continuous improvements.
<b>Financial Statement Risk Assessment</b>	N/A	Conduct a Financial Statement Risk Assessment to determine if high-risk processes have changed.
<b>COSO Control Environment Principles</b>	<ul style="list-style-type: none"> <li>• Self-assessment of COSO control environment principles and select areas of focus with control evidence.</li> <li>• Examples where Audit Committee or Council received information from various areas that address certain elements of the COSO control environment principles.</li> </ul>	<ul style="list-style-type: none"> <li>• Self-assessment of COSO control environment principles and select areas of focus with control evidence.</li> <li>• Examples where Audit Committee or Council received information from various areas that address certain elements of the COSO control environment principles.</li> </ul>





COSO Control Environment Principles Self-Assessment and 2023 Reports

**COSO Control Environment Principles Self-Assessment:**

The following Control Environment structures and policies existed at The City in 2023. Most of this information has been self-reported by various departments without demonstrable control testing. One area of focused testing, where control evidence was obtained, is included in the Areas of Focused Testing section of the report below. In addition, the follow-up on a prior year recommendation is included.

<i>COSO Principle 1: The organization demonstrates a commitment to integrity and ethical values</i>		<i>Self- Assessed &amp; Present?</i> <b>YES</b>
Structures and Policies in Place	Primary Accountability	
The City has a vision statement, common purpose and behaviours that clearly reflects the essential qualities The City looks for, recognizes, and develops in staff and leaders. <ul style="list-style-type: none"><li>The 4Cs are the essential qualities of The City: Character, Competence, Commitment, and Collaboration.</li></ul>	<ul style="list-style-type: none"><li>Chief Administrative Officer’s Office</li></ul>	
The City's Code of Conduct is a common reference for standards of behaviour to help City employees fulfill their role as public servants responsibly and with integrity. It contributes to appropriate behaviours and effective controls; refer to the Code of Conduct Annual Report for further details.	<ul style="list-style-type: none"><li>Chief Administrator’s Office</li><li>Human Resources</li></ul>	
There is a Code of Conduct for Elected Officials, Bylaw 26M2018, that establishes the rules of conduct that a member of Council must follow in the discharge of their office.	<ul style="list-style-type: none"><li>Integrity and Ethics Office</li></ul>	
City Council has a Code of Conduct for Public Members Appointed to Council Established Boards, Commissions and Committees. <ul style="list-style-type: none"><li>This Code of Conduct provides minimum standards of behaviour expected of all Citizen Members appointed to Council Established Boards, Commissions and Committees.</li></ul>	<ul style="list-style-type: none"><li>City Clerk’s Office</li></ul>	
The City has a Whistle-blower Program. The City Auditor and the Chief Administrative Officer are responsible for the development, implementation and maintenance of an effective Whistle-blower Program. Refer to the Whistle-blower quarterly reports for further details.	<ul style="list-style-type: none"><li>City Auditor’s Office</li><li>Chief Administrative Officer’s Office</li></ul>	
The City has an Integrity Commissioner with a mandate of receiving, investigating, adjudicating and reporting on allegations of misconduct by Members of Council and an Ethics Advisor with a mandate to provide legal and ethical advice to Members of Council and to assist the Integrity Commissioner in resolving issues when requested.	<ul style="list-style-type: none"><li>Integrity and Ethics Office</li></ul>	

<i><b>COSO Principle 1: The organization demonstrates a commitment to integrity and ethical values (continued)</b></i>		<i>Self- Assessed &amp; Present?</i> <b>YES</b>
<b>Structures and Policies in Place</b>		<b>Primary Accountability</b>
<p>The City has one Council Policy and two Administrative Policies that include commitment to integrity and ethical values as they relate to Procurement.</p> <ul style="list-style-type: none"><li>• The Public Value through Procurement Council policy includes The City’s intentional investment through procurement activities in economic, socio-cultural, environmental, and political outcomes valued by citizens and businesses in Calgary.</li><li>• Administration's Procurement Policy includes The City’s Procurement practices and Procurement Governance Framework, which are in place to maintain the integrity of The City’s Procurement practices and activities.</li><li>• Administration's Supplier Code of Conduct Policy sets out the principles applicable to any Supplier that wishes to establish and maintain a business relationship with The City. The policy confirms The City’s intention to do business with Suppliers that can demonstrate solid business integrity that aligns with The City’s corporate values and behaviours.</li><li>• All Policies are on a regular review cycle.</li></ul>		<ul style="list-style-type: none"><li>• Supply Management</li></ul>

<i><b>COSO Principle 2: The board of directors demonstrates independence from management and exercises oversight of the development and performance of internal control</b></i>		<i>Self- Assessed &amp; Present?</i> <b>YES</b>
<b>Structures and Policies in Place</b>		<b>Primary Accountability</b>
<p>In accordance with the Municipal Government Act, City Council functions as The City's body of directors. As a democratically elected body through the Local Authorities Election Act, it is independent from Administration.</p> <p>The City provides orientation training to City Council in accordance with s. 201.1 of the Municipal Government Act.</p>		<ul style="list-style-type: none"><li>• Law Department</li></ul>
<p>There are over 80 Boards, Commissions, and Committees in place to assist City Council in its governance role. Generally, Boards, Commissions, and Committees are given responsibility to perform a public function, have some degree of autonomy, make recommendations to Council and are accountable to Council.</p>		<ul style="list-style-type: none"><li>• City Clerk’s Office</li></ul>
<p>Audit Committee Bylaw 33M2020 provides Terms of Reference</p> <ul style="list-style-type: none"><li>• Public members must be financially literate possessing a set of skills, experience and knowledge of financial matters that support informed and effective decisions.</li><li>• The Audit Committee identifies preferred skills for new public members, pursuant to Council policy CP2016-03.</li></ul>		<ul style="list-style-type: none"><li>• Executive Assistant to Audit Committee</li></ul>

<b><i>COSO Principle 2: The board of directors demonstrates independence from management and exercises oversight of the development and performance of internal control (continued)</i></b>	<b>Self- Assessed &amp; Present?</b> <b>YES</b>
<b>Structures and Policies in Place</b>	<b>Primary Accountability</b>
<p>The City Auditor's Office is fully independent of Administration and reports directly to the Audit Committee. It is responsible for auditing areas of The City's operations as identified in the Audit Plan approved by Audit Committee.</p> <ul style="list-style-type: none"><li>• Reports from these audits (including Administration's response to recommendations) are presented to Audit Committee and released to the public through the Audit Committee agenda.</li><li>• On a quarterly basis, the Audit Committee receives a report from the City Auditor's Office reflecting the status of audit, advisory, and investigation activities performed over the interim period by the Office. These reports also provide an update on the status of Administration action on audit recommendations contained in previous audit reports.</li></ul>	<ul style="list-style-type: none"><li>• City Auditor's Office</li></ul>

<b><i>COSO Principle 3: Management establishes with board oversight, structures, reporting lines, and appropriate authorities, and responsibilities in the pursuit of objectives</i></b>	<b>Self- Assessed &amp; Present?</b> <b>YES</b>
<b>Structures and Policies in Place</b>	<b>Primary Accountability</b>
<p>The Chief Administrative Officer and Chief Financial Officer (CFO) provide representations in the annual report with regard to how their responsibilities are discharged. As part of this process, they rely on the cascading Management Representation Letters provided by each business unit by General Managers, Directors, Finance Managers and Finance Leads.</p>	<ul style="list-style-type: none"><li>• Chief Financial Officer</li></ul>
<p>The City of Calgary operates under a defined delegated authority structure. The Municipal Government Act (MGA) outlines Councilor's duties, the Mayor's duties, and the duties of the Chief Administrative Officer. It also provides for the delegation of some of these duties. Some duties are delegated by way of bylaw, while others are delegated by Administration.</p>	<ul style="list-style-type: none"><li>• Chief Administrative Officer's Office</li></ul>
<p>The City's organizational structure is defined and promotes accountability throughout the Corporation. Within Administration, the responsibility to manage people and budget, known as Dept ID Ownership, is delegated through a standard process.</p>	<ul style="list-style-type: none"><li>• Chief Administrative Officer's Office</li><li>• Human Resources</li></ul>
<p>The Enterprise Suite Program (PeopleSoft), which includes clear identification of DeptID and Process Owners, has further clarified authority and accountability.</p> <ul style="list-style-type: none"><li>○ The Human Capital Management (HCM) System is the application within the PeopleSoft Suite that relates most directly to The City's assignment of responsibilities and authorities. Automated workflows and approvals are inherent within the design of the PeopleSoft HCM and Financials and Supply Chain Management (FSCM) systems.</li></ul>	<ul style="list-style-type: none"><li>• Human Resources</li><li>• Information Technology</li></ul>

<i><b>COSO Principle 4: The organization demonstrates a commitment to attract, develop, and retain competent individuals in alignment with objectives</b></i>		<i>Self- Assessed &amp; Present?</i> <b>YES</b>
<b>Structures and Policies in Place</b>	<b>Primary Accountability</b>	
<p>The City's Employment Policy sets forth The City's recruitment standards.</p> <ul style="list-style-type: none"><li>○ The policy provides rules and processes to ensure that The City's recruitment, selection, appointment, and promotion processes are of a high quality. Applicants are selected for their relevant knowledge, skills, abilities, and experience, which may include lived experience.</li></ul>	• Human Resources	
<p>The City's Compensation Policy sets forth The City's compensation policies, including guidelines for evaluating positions to determine the necessary classification and compensating them accordingly.</p> <ul style="list-style-type: none"><li>○ For management-exempt positions, the Compensation Policy is supplemented by the Exempt Staff Policy.</li></ul> <p>The Compensation team regularly surveys the external market to ensure that The City is market competitive for exempt salary ranges and conduct scans of other jurisdictions with bargaining unit employees to ensure The City can attract and retain bargaining unit employees. The City also has the ability to implement 'out of schedule' rates where the market dictates for roles we have challenges recruiting into.</p>	• Human Resources	
Human Resources delivers services related to Recruiting and Outreach, Equity, Diversity, Inclusion & Belonging, Workforce Planning (including succession management) and Leadership Development, Performance Management, Career Development and Mentorship.	• Human Resources	
<p>Corporate Learning &amp; Development (CLD) provides learning opportunities for employees and leaders related to employee and leader competencies; and organizational priorities (Rethink to Thrive, Culture Growth, EDIB etc.); and our 4Cs culture. Learning opportunities include open-enrollment courses for employees and leaders, and cohort-based programs – Emerging Leader Program (employees who aspire to be leaders); Strategic Leadership Program (managers) and Foundational Leadership Program (new leaders).</p> <p>All new Dept ID Owners receive information on how to access training on HCM and FSCM as part of the leader learning plan in Leader onboarding.</p>	• Human Resources	
The City has group and speed mentoring components in The Emerging Leader Program. Peer support is built into the Foundational Leadership Program.	• Human Resources	

<i><b>COSO Principle 5: The organization holds individuals accountable for their internal control responsibilities in the pursuit of objectives</b></i>		<i><b>Self- Assessed &amp; Present?</b></i> <b>YES</b>
<b>Structures and Policies in Place</b>	<b>Primary Accountability</b>	
The City's four-year service plans and budgets provides a roadmap to deliver on Council's Strategic Direction. It outlines the results that Calgarians will experience in the budget cycle, the community indicators and performance measures. The City monitors plans and budgets for each of The City's 61 services. Accountability for delivering on the plans and budgets is defined by the organizational structure and the service governance model which identifies a Service Director, Service Steward, Service Team Members and Service Coordinators accountable for each service.	<ul style="list-style-type: none"><li>• Corporate Planning and Performance</li><li>• Finance</li></ul>	
Performance reports (formerly called the Accountability Report) provide updates to Council and Calgarians on how The City is performing and delivering on our service plans and budgets. These reports are provided twice a year according to The City's Multi-Year Business Planning and Budgeting Council Policy (CFO004).	<ul style="list-style-type: none"><li>• Corporate Planning and Performance</li><li>• Finance</li></ul>	
There are performance development tools available to assist leaders with performance development plans and the sharing, setting, and monitoring of goals. Performance reviews can be conducted on an annual basis.	<ul style="list-style-type: none"><li>• Human Resources</li></ul>	
Leaders are responsible for ensuring that employees are aware of their accountability for having in place appropriate internal controls and risk assessment practices. The City ensures compliance with collective agreements, policies, and other legislative requirements, and addresses challenges in collective agreements through collective bargaining. Challenges to discipline, for unionized employees, is through the grievance process.	<ul style="list-style-type: none"><li>• Human Resources</li></ul>	
Senior managers across the organization are responsible for managing, monitoring, and updating the risks and internal controls in their areas. They acknowledge this responsibility as it pertains to risks and internal controls impacting the business unit's Financial Reporting when signing the annual Management Representation Letters.	<ul style="list-style-type: none"><li>• Finance</li></ul>	
The City is implementing a program for identifying, documenting, evaluating, and testing key internal controls over financial reporting. This is the third year of the phased implementation of this program. Annual reports on the program are provided to the Audit Committee and regular reporting is provided to senior management. This program enables Administration to: <ul style="list-style-type: none"><li>○ focus on continuous improvement and monitoring of processes and internal controls over financial reporting; and</li><li>○ provide increased assurance to the Audit Committee on the effectiveness of internal controls.</li></ul>	<ul style="list-style-type: none"><li>• Finance</li></ul>	

**Areas of Focused Testing:**

As approved by the Audit Committee on 2022 June 16 (AC2022-0597), Administration identified select areas of focus and validated the self-assessment with control evidence. The results are as follows:

**2023 Testing:**

<i>COSO Principle 5: The organization holds individuals accountable for their internal control responsibilities in the pursuit of objectives</i>		
Structures and Policies in Place	Results	Primary Accountability
Performance reports (formerly called the Accountability Report) provide updates to Council and Calgarians on how The City is performing and delivering on our service plans and budgets. These reports are provided twice a year according to The City's Multi-Year Business Planning and Budgeting Council Policy (CFO004).	Based on control testing, this control is designed and operating effectively.	<ul style="list-style-type: none"><li>• Corporate Planning &amp; Performance</li></ul>

**Prior Year Findings and Updates:**

<i>COSO Principle 5: The organization holds individuals accountable for their internal control responsibilities in the pursuit of objectives</i>		
Structures and Policies in Place	Results (2022 Control Environment Assessment Report)	Primary Accountability
There are performance development tools available to assist leaders with performance development plans and the sharing, setting, and monitoring of goals. Performance reviews can be conducted on an annual basis.	<p><b>Findings and Observations</b></p> <p>Testing was performed on The City's employee performance development tool. Prior to 2020, performance development was performed manually via paper corporate forms and discussions. In 2020, a corporate-wide approach to performance development was implemented to better support leaders and employees with a consistent new process and system. An online performance development tool was implemented through the myHRconnect system.</p> <p>The performance development tool and program were assessed in this testing cycle. The performance development tool functioned as designed and implemented through sample testing. We noted that for the individuals that completed the process, that it was operating effectively.</p>	<ul style="list-style-type: none"><li>• Human Resources</li></ul>

	<p>However, the program's design was noted to be voluntary. Statistics of completion rates were reviewed and it was noted that total participation rates for all exempt staff were low (20.6% in 2021, 33.1% in 2022).</p> <p>For teams not using this tool, there may be discussions in support of performance reviews and pay for performance decisions; however, these discussions may or may not be formally documented and if formally documented, may not be consistent with The City's approach.</p> <p><b><u>Recommendation</u></b> As this process is voluntary, recommend removal from the COSO entity control list as it would not constitute a demonstratable control in its current design and implementation. In addition, recommend Human Resources to assess and discuss with ELT whether the performance development tool should be a mandatory requirement for all exempt staff, including senior management</p> <p><b><u>Management Response</u></b> HR Management agrees with the recommendation. HR will assess and seek a discussion with ELT by end Q4 2024.</p> <p><b><u>2024 Status Update</u></b> This recommendation is <b>in progress</b> and is anticipated to be completed by the end of this year.</p>	
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**2023 Reports:**

Examples where Audit Committee or Council received information in fiscal 2023 from various areas that address certain elements of the COSO control environment principles are as follows:

Area	Report	Committee	Report Purpose	COSO Principle #
People, Innovation and Collaboration Services	Code of Conduct Annual Update Briefing (March)	Audit Committee	This briefing provides Audit Committee with an annual update on management practices and processes related to The City of Calgary’s Administration Code of Conduct Program.	1
Community Services	Civic Partner Annual Audit Report (June)	Audit Committee	The Civic Partner Audit Report presents the results of an annual financial review that evaluates The City’s exposure to third party-risk based on Civic Partners’ audited financial statements and assigns a rating of low risk, elevated risk, or high risk. The review process is one component of a larger accountability framework that assesses the overall financial and organizational health of Civic Partners as set out in Council’s Investing in Partnerships Policy.	5
Law, Legislative Services and Security Chief Administrative Officer	Boards, Commissions and Committees (BCC) Annual Update (Various BCCs) (June)  Alternatively, BCCs may have, as part of their terms of reference, a defined reporting structure to Council or Committee; these BCCs are not included in the BCC Annual Update  Each year the Organizational Meeting of Council takes place, where appointments are made to BCCs	Council	This report provides an update on the key activities of 20 Boards, Commissions and Committees (“BCCs”), including a summary of their initiatives, projects or work completed, challenges encountered in fulfilling their mandate, and an outline of their work plans.  Reporting to Council on annual BCC activities provides public transparency and insight into the important work of City of Calgary BCCs.	2,3,5



Area	Report	Committee	Report Purpose	COSO Principle #
Corporate Planning and Financial Services	Mid-Year Performance Report (September 2023)  2023 Progress Update (April 2024)	Executive Committee	Information on key results and advancements on Council priorities in 2023 is an essential part of good governance. This is an annual look back on 2023 progress and an update looking ahead to 2024. The information is important for both accountability and as an input into Mid-Cycle Adjustments to the 2023-2026 Service Plans and Budgets.	5
Integrity and Ethics Office	Integrity and Ethics Office Annual Report (October)	Council	This report covers the period from May 1, 2022, to April 30, 2023, and summarizes the activities of the Integrity Commissioner and Ethics Advisor for City Council and Calgarians for the past year. The joint administrative work of the Ethics Advisor and Integrity Commissioner improves the transparency, accountability, policy and procedures under the Code of Conduct.	1
Community Services	Shareholder Alignment Review of Wholly-Owned Subsidiaries Update (December)	Audit Committee	The purpose of this report is to provide Council with a status update on the implementation of the key recommendations made in the 2021 Shareholder Alignment Review of Wholly-Owned Subsidiaries Report..	2,3
Chief Administrative Officer	Chief Administrative Officer's Quarterly Report Q2-Q4 2023	Council	<p>The Chief Administrative Officer's quarterly report is a tool used by the Chief Administrative Officer to share information with Council and citizens about City services and work underway within the organization to support Council's direction and advance important initiatives.</p> <p>Q2 Report: Council previously noted an interest in seeing more operating metrics for the organization through these reports. The City Manager has chosen select metrics related to customer service and value for service for this edition of the quarterly report, which can be found in the presentation (Attachment 8).</p> <p>Q3/Q4 Report: The presentation in this edition of the quarterly report includes leadership updates from the Chief Administrative Officer and updates on key cross-corporate projects and initiatives, including a summary of results from the 2023 Corporate Employee Survey and the Speaking Up Survey of employees.</p>	1,5
City Auditor's Office	Reports presented to Audit Committee during fiscal year 2023 are summarized in the City Auditor's Office 2023 Annual Report AC2024-0151.	Audit Committee/ Council	The mandate of the City Auditor's Office as per Bylaw 30M2004 (as amended) is to provide independent and objective assurance, advisory and investigative services to add value to The City of Calgary and enhance public trust.	Various, depending on the individual audit topics/specific reports to the Whistle-blower Program

Area	Report	Committee	Report Purpose	COSO Principle #
	<p>The Code of Conduct Program Audit (AC2023-0537) relates to COSO Principle 1. The Recruitment Processes Audit (AC2023-0444) relates to COSO Principle 4.</p> <p>The Waste Management Facility Cash Handling Audit (AC2023-1187) and the Manual Journal Entries Continuous Auditing Project (AC2023-1146) specifically focused on internal financial controls. In addition, other audits presented during fiscal year 2023 include analysis and recommendations that address different aspects of the control environment more widely across the City of Calgary i.e. operational controls.</p> <p>The Whistle-blower Program conducts quarterly public reporting of summaries of investigations resulting in recommendations for corrective action. Depending on the topic of the investigation, summaries may relate to the City of Calgary's internal controls and control environment.</p>		<p>Bylaw 33M2020 requires Audit Committee to receive directly from the City Auditor any individual audit report, including as applicable, Administration's response and correction action to be taken to specific audit recommendations, and forwards these to Council for information. The individual objective of each audit is stated in the audit report.</p> <p>Bylaw 33M2020 also requires that Audit Committee reviews and forwards to Council for information the City Auditor's Office quarterly and annual status reports which includes activity of the Whistle-blower Program.</p>	

Area	Report	Committee	Report Purpose	COSO Principle #
Civic Partners	<ul style="list-style-type: none"><li>• Calgary Municipal Land Corporation (June)</li><li>• Calgary Convention Centre (June)</li><li>• ENMAX Annual Report (July)</li><li>• Calgary Arts Development Authority (September)</li><li>• Calgary Housing Company (October)</li></ul>	Audit Committee	These reports are in response to the Audit Committee’s request for a presentation on governance, financial and performance reporting, environmental, social and governance practices, risk management and talent and culture insights. Citizens are provided assurance that the Audit Committee has oversight of the City of Calgary’s civic partners.	2,3,4,5





# Annual Control Environment Assessment

AC2024-1031

2024 October 17





## Previous Council Direction

On 2020 January 24, Audit Committee approved (AC2020-0023) that Administration cease the current Annual Control Environment Assessment and develop and implement a project plan to identify, document, and test key internal controls over financial reporting at a demonstrable level with annual updates to the Audit Committee.

# Recommendation(s)

That the Audit Committee:

Direct that Attachment 4 be discussed in closed meeting and remain confidential under Sections 24 (Advice from officials) and 25 (Disclosure harmful to economic and other interests of a public body) of the *Freedom of Information and Protection of Privacy Act (Alberta)*, to be reviewed by 2026 January 01.



## Program Overview

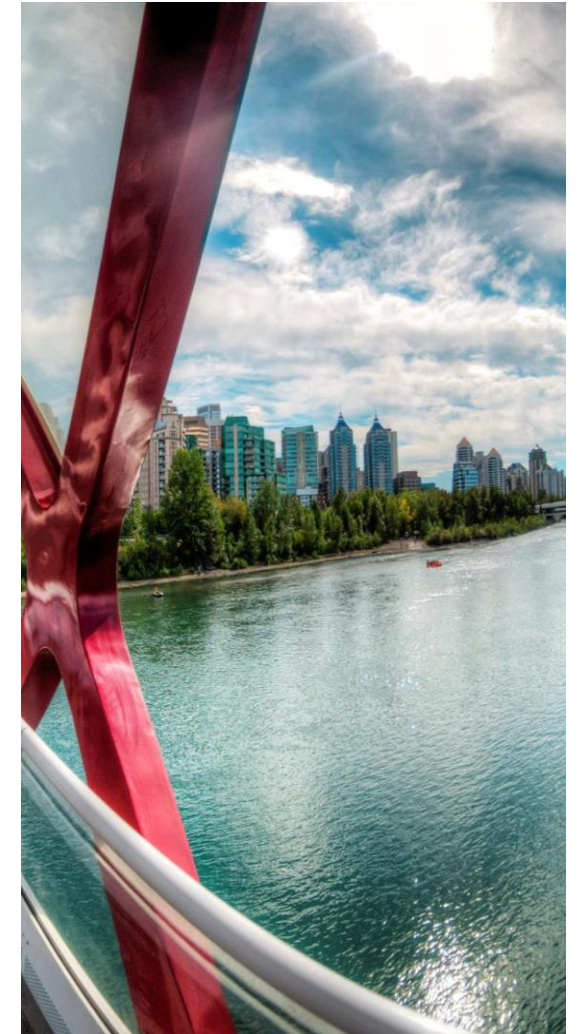
- Program has progressed on schedule
- Continues to provide benefits to the corporation and to citizens

## 2023 Internal Control Testing Results

- 168 (97%) of the 174 key internal controls tested were found to be operating effectively
- No significant deficiencies or material weaknesses identified
- Six minor deficiencies identified

## COSO Control Environment Principles

- From the self-assessment, Administration has concluded that structures and policies exist to address the COSO control environment principles
- From the one area of focused testing, Administration has concluded that the control is designed and operating effectively



## Recommendation(s)

That the Audit Committee:

Direct that Attachment 4 be discussed in closed meeting and remain confidential under Sections 24 (Advice from officials) and 25 (Disclosure harmful to economic and other interests of a public body) of the *Freedom of Information and Protection of Privacy Act (Alberta)*, to be reviewed by 2026 January 01.



City Auditor's Report to  
Audit Committee  
2024 October 17

ISC: UNRESTRICTED  
AC2024-1148

## City Auditor's Office 3rd Quarter 2024 Report

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### PURPOSE

The purpose of this report is to communicate the activities of the City Auditor's Office as set out in Bylaw 30M2004 (as amended).

### PREVIOUS COUNCIL DIRECTION

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 33M2020.

### 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

- What does it mean to Calgarians? The City Auditor's Office 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.

### RISK

The activities of the City Auditor's Office support Administration in their on-going mitigation activities related to Principal Corporate Risks.

### ATTACHMENTS

1. City Auditor's Office 3<sup>rd</sup> Quarter 2024 Report - AC2024-1148

City Auditor's Report to  
Audit Committee  
2024 October 17

ISC: UNRESTRICTED  
AC2024-1148

**City Auditor's Office 3rd Quarter 2024 Report**

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**DEPARTMENT CIRCULATION**

Name	Title, Department or Business Unit	Approve/Consult/Inform
Liz Ormsby	City Auditor	Approve

Author: Jon Bateman, Executive Advisor, City Auditor's Office



**Calgary**

City Auditor's Office

# **3rd Quarter 2024 Report July 1, 2024 – September 30, 2024**

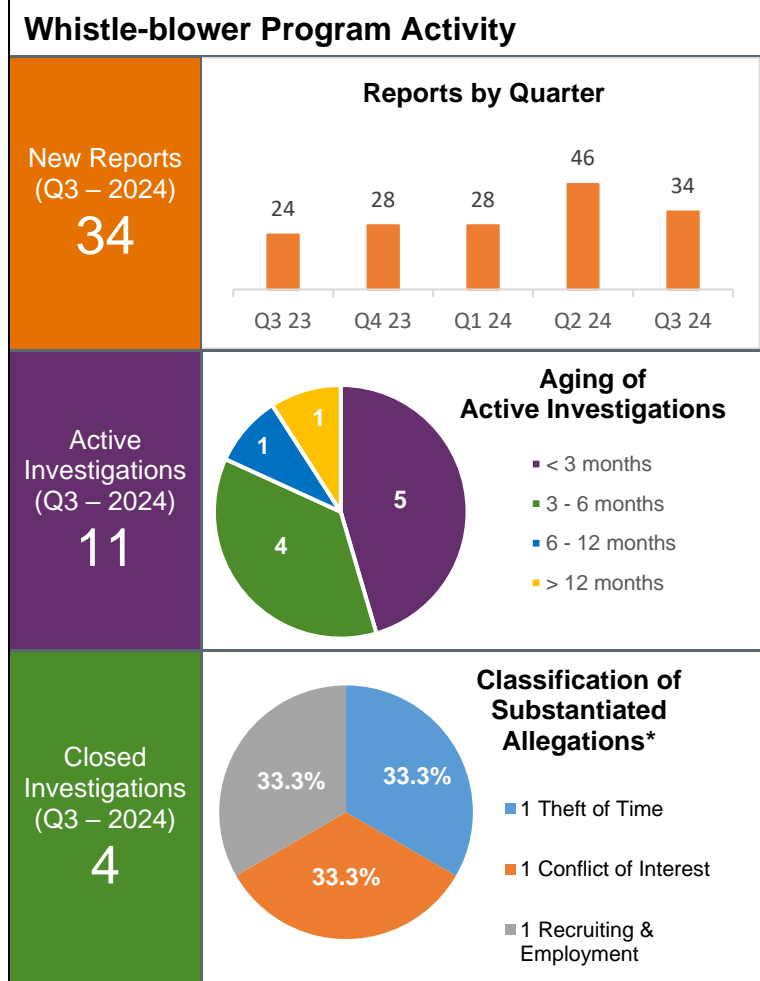
**October 17, 2024**

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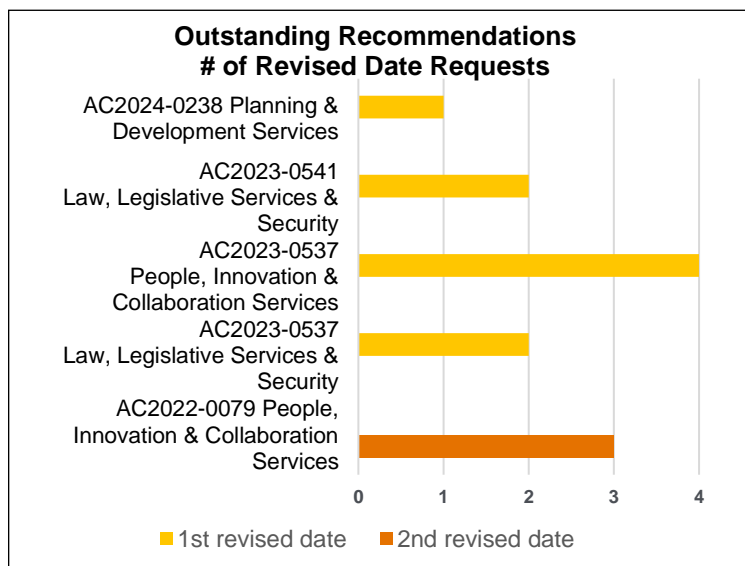
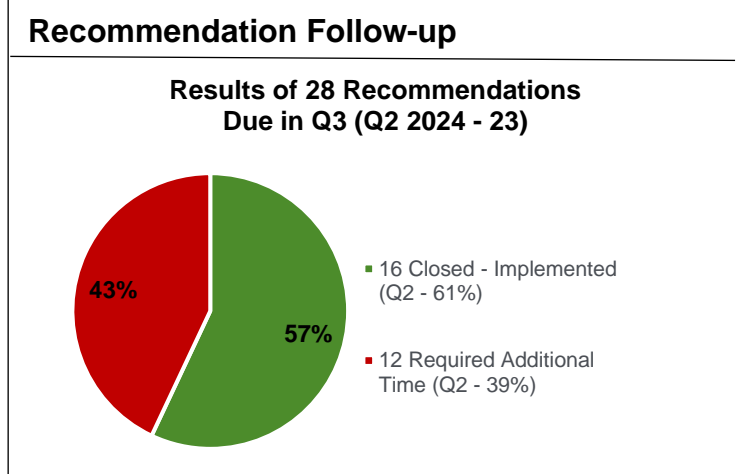
## 1. Status Update

Key Performance Indicators				
Measure Area	Performance Indicator	Target	Q2 2024	Q3 2024
Efficiency	On Track to Annual Plan	Q1-25% Q2-56% Q3-81% Q4-95%	47%	66%
Effectiveness	Timely Implementation of Audit Rec.	65%	50%	52%
Quality	Client Satisfaction	85%	98%	96%
Staff	Training Plan Achieved	90%	100%	100%

Budget (\$'000's)				
Category	2024 Annual Budget	Q3 Cumulative Budget	Actual to Date	Variance
Salary	3,210	2,397	2,258	139
Tools & Technology	166	125	137	-12
Training	68	51	44	7
Professional Memberships	20	15	17	-2
Contracted Services	150	113	30	83
Employee Recognition	3	2	1	1
Operating Costs	38	37	44	-8
Total	3,655	2,739	2,532	208



\*An investigation may be comprised of multiple allegations and may result in multiple recommendations/corrective actions. Substantiated allegations and matters resulting in corrective action are summarized at [www.calgary.ca/whistle](http://www.calgary.ca/whistle)





2. Initiative Briefing

# CITY AUDITOR’S OFFICE TECHNOLOGY ROADMAP

Guiding Principles – Aligns to Institute of Internal Auditors’ Global Internal Audit Standards

Annual Evaluations

The City Auditor, along with the Deputy City Auditors and Audit Manager IT, evaluates audit technology needs, risks, and opportunities annually. Results flow into future goals and initiatives.

Communicating Limitations

If technology limitations impact audit delivery, these are communicated to the Audit Committee.  
No limitations currently identified.

Procurement & Training

Technology procurement follows City of Calgary policies and processes, and training is provided for new technologies and new auditors.

Audit Roadmap



2025 Initiatives



Data Analytics Roadmap

- ↑ TeamMate+ audit software: Growth opportunity: supports current audit efficiency; further opportunity to explore current unused features balanced with time needed to implement.
- ↑ Microsoft Copilot and Microsoft Copilot for Office 365: Microsoft Copilot is The City's AI tools that uses data from the public web to respond. Copilot for Office 365 includes City data such as a users' e-mail to respond to questions and integrates with Office applications. Growth opportunity: supports efficiency in audit/analytics projects. Opportunity to expand usage, balanced with risks of data leakage, unverified information and subsuming of professional judgement.
- ➡ Office 365: Core technology item: maintain existing usage.

- Negotiate renewal of TeamMate+ audit software contract, incorporating price increase caps and Agile Addon trial licenses.
- Directly connect business intelligence tools (PowerBI / Excel) to TeamMate+ for recommendation tracking dashboards.
- Create a team AI framework, and further rollout Copilot for Microsoft 365 if more licenses become available. Entire team already has access to Microsoft Copilot product.
- Negotiate renewal of Arbutus data analytics software contract, and demo new functionality.
- Evaluate ongoing usage of Power BI and AI Builder. Track new functionality.
- Continue Python training with a focus on growing data analytics team skillset with the Pandas data manipulation and analysis library.

- ➡ Arbutus: Core data analytics tool: maintain existing usage. Additional opportunities to evaluate new AI functionality for anomaly detection and expand use of workflows to visually document data analysis steps.
- ↑ Power BI / Power Platform: Core data analytics tool used across City of Calgary. Utilizing Power BI supports transition of analytics to Administration. Opportunities to expand use of AI Builder capabilities within Power Platform. Also, new functionality with expected City wide migration from on premise report server to cloud service.
- ↑ Python: Flexible tool with large number of libraries (pre-written code) for different tasks. Growth opportunities for new analysis and improve efficiency by taking advantage of these ready-made solutions.
- ➡ City core data sets: PeopleSoft/GIS/Active Directory: Core technology item: Maintain direct connectivity for core data analysis team members.

## 2024 Audit Plan – Status as at September 30, 2024

2024 Audit Plan				
#	Title	Description	Report Target	Status
2023 Audit Plan Carry Forward				
1	Downtown Calgary Development Incentive Program	An operational audit of the Downtown Calgary Development Incentive Program's grant administration.	Q1	Complete/ Reported 2/15/2024
2	Financial Reserves	An operational audit of the effectiveness of the management of City of Calgary financial reserves.	Q2	Complete/ Reported 5/23/2024
3	Cloud Vendor and Solution Management	An IT audit to review processes for identifying, assessing, and monitoring cloud software solutions and vendors.	Q1	Complete/ Reported 1/18/2024
4	Safety Management	An operational audit of the effectiveness of the Occupational Health & Safety Business Unit's monitoring and mitigation of safety incidents.	Q2	Complete/ Reported 4/18/2024
5	Streetlights	An operational audit of streetlights maintenance and repair.	Q2	Complete/ Reported 5/23/2024
6	Project and Portfolio Management Tool (P2M)	An operational audit of the Utilities Delivery Business Unit's utilization of P2M.	Q2	Complete/ Reported 6/13/2024
2024 Audit Plan				
1	Climate & Environment - Clean Energy Improvement Program	An operational audit of the Clean Energy Improvement Program.  <i>Principal Corporate Risk: Sustainable City</i>	Q3	Complete/ Reported 9/19/2024
2	Water Services - Water Metering	An operational audit of the effectiveness of The City's water metering processes and policies.  <i>Principal Corporate Risk: Service Delivery</i>	Q3	Complete/ Reported 9/19/2024

2024 Audit Plan				
#	Title	Description	Report Target	Status
3	Parks & Open Spaces – Contracted Mowing Services	An operational audit to assess the effectiveness and efficiency of Parks & Open Spaces' contracted mowing services.  <i>Principal Corporate Risk: Financial Sustainability</i>	Q3	Complete/ Reported 7/25/2024
4	Partnerships - Neighbourhood Partnership	An operational audit of the Neighbourhood Partnership Coordinator Team's Community Association support.  <i>Principal Corporate Risk: Service Delivery</i>	Q1 2025	Fieldwork
5	Event Centre	An operational audit of The City's governance of the Event Centre project.  <i>Principal Corporate Risk: Capital Infrastructure</i>	Q4	Reporting
6	IT - Disaster Recovery	An IT audit of disaster recovery processes to provide assurance essential systems are identified and appropriate recovery procedures and infrastructure are in place.  <i>Principal Corporate Risk: Service Delivery</i>	Q4	Reporting
7	Corporate Security – Cyber Security	An IT audit to assess the effectiveness of activities to detect the occurrence of cyber security events within The City's IT environment.  <i>Principal Corporate Risk: Technological Disruption</i>	Q1 2025	Planning
8	Community Planning -Local Area Plan Process	An operational audit to assess the effectiveness of engagement in the Local Area Plan Process.  <i>Principal Corporate Risk: Reputation</i>	Q1 2025	Planning

2024 Audit Plan				
#	Title	Description	Report Target	Status
9	Utilities Delivery - Project Management	<p>An operational audit assessing the effectiveness of the project management of the Deer Run Sanitary Lift Station Upgrade project.</p> <p><i>Principal Corporate Risk: Capital Infrastructure</i></p>	Q1 2025	Planning
10	Supply Management - Corporate Supply Chain Resilience Strategy	<p>An operational audit of Supply Management's processes that support the Corporate Supply Chain Resilience Strategy.</p> <p><i>Principal Corporate Risk: Capital Infrastructure</i></p>	Q2 2025	Not Started

### Q3 2024 Recommendation Follow-up – In-Progress Action Plans

Report # & Title	# of Revisions	Revised Date	Recommendation <sup>i</sup>
<b>AC2022-0079</b> Hyperion Systems Governance Audit	2	June 30, 2025	<p><b>Rec 1. Update Terms of Reference</b></p> <p>The IT Manager (ESS):</p> <ul style="list-style-type: none"> <li>i. Coordinate updating the ESS Governance Group and ESS Process Owner Group Terms of Reference to incorporate changes in composition, authority, roles, and responsibilities, once the realignment is complete.</li> <li>ii. Obtain approval for the revised documents from the relevant committee.</li> <li>iii. Establish a process to periodically review Terms of Reference every four years to align with The City's budget cycle, and additionally whenever significant organizational changes occur.</li> </ul>
<b>AC2022-0079</b> Hyperion Systems Governance Audit	2	June 30, 2025	<p><b>Rec 3. Update ESS Governance Group TOR (Project Benefit Realization)</b></p> <p>The Manager of IT(ESS) work with the ESS Governance Group to:</p> <ul style="list-style-type: none"> <li>i. Update Terms of Reference for the group to include an explicit responsibility for ensuring project benefit realization.</li> <li>ii. Implement a process for project sponsors to report back to the Governance Group on the realization of project benefits.</li> </ul>
<b>AC2022-0079</b> Hyperion Systems Governance Audit	2	June 30, 2025	<p><b>Rec 4. Reporting on-going KPIs</b></p> <p>The Manager of IT(ESS) facilitate the ESS Governance Group and Process Owner Group to evaluate if there is a benefit to reporting on-going KPIs to measure system effectiveness in meeting business needs.</p>
<b>AC2023-0537</b> Code of Conduct Program Audit	1	September 30, 2024	<p><b>Rec 2a) Review current reporting options</b></p> <p>Review all the current reporting options that support the Code of Conduct Program and consider streamlining the number of reporting methods available to employees; determine that only those that pertain to Code of Conduct requirements are included.</p> <p>The diverse subject matter of the Code of Conduct policies makes it challenging to have a single method or channel for reporting breaches or violations.</p> <p>The current reporting channels for some violations such as privacy breaches and safety hazards are well established in the organization and are designed for swift action where required.</p>

			Employees are always encouraged to raise concerns and report issues to their leader to ensure escalation to the appropriate channel.
<b>AC2023-0537</b> Code of Conduct Program Audit	1	September 30, 2024	<p><b>Rec 2b) Implement a central intake group for violation reporting.</b></p> <p>Consider the implementation of a central intake group to direct reported violations, depending upon their nature, to the appropriate group within the organization.</p> <p>The revised list of reporting options or central intake information should then be published and communicated in future communication campaigns and training related to the Code of Conduct Program. In addition, develop appropriate training and escalation protocols established for groups who may receive reported violations outside the central intake group so that they know how to transmit reported violations they receive to the central intake group.</p>
<b>AC2023-0537</b> Code of Conduct Program Audit	1	September 30, 2024	<p><b>Rec 6a) Process to review and update the Investigation Matrix</b></p> <p>Establish a process for periodic review and update of the Investigation Matrix to determine that it is aligned with current roles and responsibilities as well as processes for incident triaging, consultation, investigation, and reporting/ documentation of the results of investigations.</p>
<b>AC2023-0537</b> Code of Conduct Program Audit	1	September 30, 2024	<p><b>Rec 6c) Appropriate ownership of the Investigation Matrix</b></p> <p>Consider the appropriate ownership of the Investigation Matrix given its use as a central Code of Conduct triaging tool (e.g., Human Resources or People, Innovation and Collaboration Services). Once determined, communicate the updated ownership and responsibility of the Investigation Matrix to relevant groups within the organization.</p>
<b>AC2023-0537</b> Code of Conduct Program Audit	1	September 30, 2024	<p><b>Rec 7a) Review and update Corporate Security Investigative Protocols</b></p> <p>Review and update the Draft Corporate Security Investigative Protocols to determine inclusion of appropriate consultation processes, alignment with current investigative process, and consistency with other Code of Conduct investigative groups.</p>
<b>AC2023-0537</b> Code of Conduct Program Audit	1	September 30, 2024	<p><b>Rec 7b) Publish finalized Investigative Protocols</b></p> <p>Formally publish finalized Investigative Protocols and determine that all individuals responsible for investigations within the Corporate Security team receive appropriate training on its requirements.</p>
<b>AC2023-0541</b> Building Access Control Continuous Auditing Project	1	October 1, 2024	Details of this recommendation are confidential.
<b>AC2023-0541</b>	1	October 1, 2024	Details of this recommendation are confidential.

Building Access Control Continuous Auditing Project			
<b>AC2024-0238</b> Downtown Calgary Development Incentive Program	1	December 31, 2024	Details of this recommendation are confidential.

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<sup>i</sup> Confidential recommendation details are based on the relevant sections of the Freedom of Information and Protection of Privacy Act, which relates to disclosure that is harmful to business interests of a third party.

**Audit Resource Management Report to  
Audit Committee  
2024 October 17**

**ISC: UNRESTRICTED  
AC2024-1127**

## **Audit Committee Infrastructure Review Working Group Update**

### **PURPOSE**

This report contains an update from the Audit Committee Infrastructure Review Working Group on the progress of the Infrastructure Review approved at the 2024 September 19<sup>th</sup> Audit Committee Meeting.

### **PREVIOUS COUNCIL DIRECTION**

At the 2024 September 19 Regular Meeting of Audit Committee Recommendation 4 of Report, Audit Forum (Verbal), AC2024-0965 was approved as follows:

- “4. Direct the Infrastructure Review Working Group to report to the 2024 October 17 Regular Meeting of Audit Committee with an update on their progress;”

Pursuant to Audit Committee Bylaw 33M2020, as amended, the mandate of the Audit Committee in Section 4 of the Bylaw includes oversight and stewardship responsibilities by gaining and maintaining reasonable assurance in relation to:

- “(1)(a)(iv.1) Administration’s establishment of processes to manage critical City of Calgary assets, including, but not limited to, infrastructure assets, investments, and information assets;”

The authority of Audit Committee contained in Section 5 of the Bylaw also states:

“The Audit Committee is authorized to:

- (b) institute special audits, program reviews and special studies, including the standing authority to retain expertise through external consultants;”

### **RECOMMENDATIONS:**

That Audit Committee:

1. Appoint an additional Public Member, Cheryl McGillivray, to the Audit Committee Infrastructure Review Working Group;
2. Approve the Working Group’s Scope of Work (Confidential Attachment) for an external consultant to perform the Infrastructure Review;
3. Request the Working Group to return to the 2024 November 14 Meeting with a further update;
4. Recommend that Council receive Report AC2024-1127 and confidential Attachment for the Corporate Record; and
5. Recommends that the confidential Attachment remain confidential pursuant to Section 24 (Advice from officials) of the *Freedom of Information and Protection of Privacy Act*, to be reviewed by 2025 June 30.



**Audit Resource Management Report to  
Audit Committee  
2024 October 17**

**ISC: UNRESTRICTED  
AC2024-1127**

## **Audit Committee Infrastructure Review Working Group Update**

### **HIGHLIGHTS**

The recent critical water main break at the Bearspaw South Feeder Main has elevated focus on infrastructure assets. There is concern about future infrastructure failures with the possibility of significant impact on Calgarians. Audit Committee believes there is an opportunity to strengthen the alignment with the City's long-term infrastructure and risk management objectives. Providing citizens with assurance that infrastructure is at low risk of critical failure is a priority.

Currently, three separate reviews have been undertaken with respect to the critical infrastructure failure at the Bearspaw South Feeder Main:

- Council approved an independent third-party review of the Bearspaw South Feeder Main Break to assess and understand what occurred, why it happened, the response to the incident and how The City can learn and improve;
- The Association of Professional Engineers and Geoscientists of Alberta (APEGA) is initiating a practice review on The City's engineering processes and practices to determine whether unskilled practice or unprofessional conduct contributed to the water main failure;
- Water Services have engaged consultants who are working on a detailed forensic report on the Bearspaw South Feeder Main which will include data from the PipeDriver, along with soil and structural analysis of the pipe. They are also receiving a report from their contractor on recommendations to support the development of medium and long-term plans for the pipe.

This report concerns a review approved by the Audit Committee at their 2024 September 19<sup>th</sup> meeting for an external consultant to review critical infrastructure identification and asset re-investment decision-making components of the Corporate Asset Management Plan (CAMP). Although this review may touch on the Bearspaw South Feeder Main failure, the overall focus is a broader review of infrastructure asset planning and risk mitigation across the organization.

A working group was established to develop the project scope and oversee the external consultant and is comprised of the following members:

- Councillor Evan Spencer
- Councillor Jennifer Wyness
- Public Member Karen Kim
- Public Member Josephine Naicker

This report recommends Audit Committee add Public Member Cheryl McGillivray to the Working Group to bring the total membership to five.

### **DISCUSSION**

The Working Group developed the scope of work for this project. Once approved by Audit Committee, the Confidential Attachment (Scope of Work for Infrastructure Review) will be used as a framework for the services to be provided by an external consultant. In consultation with Supply Management, the Working Group will proceed with the procurement process to obtain the external consultant through a pre-qualified list of consultants obtained through a Request for Standing Offer (RFSO).

Funds for this Infrastructure Review are available within the Audit Committee budget.

Audit Resource Management Report to  
Audit Committee  
2024 October 17

ISC: UNRESTRICTED  
AC2024-1127

**Audit Committee Infrastructure Review Working Group Update**

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**ATTACHMENT**

1. CONFIDENTIAL - Scope of Work for Infrastructure Review

Department Circulation

Councillor Evan Spencer	Chair of Audit Committee	Approve
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Author: C. Smillie, Executive Advisor to Audit Committee