

Off-site Levy Annual Reporting Audit

EXECUTIVE SUMMARY

The City Auditor's Office issued the Off-site Levy Annual Reporting Audit Report to Administration on October 15, 2019. The report includes Administration's response to 11 recommendations raised by the City Auditor's Office to improve stewardship of the annual reporting process and guide coordinated process improvement across multiple departments. Administration accepted all recommendations and has committed to the implementation of action plans no later than December 1, 2021. The City Auditor's Office will track the implementation of these commitments as part of our on-going follow-up process.

RECOMMENDATIONS

1. That Audit Committee receive this report for information; and
2. That Audit Committee recommend that Council receive this report for information.

RECOMMENDATION OF THE AUDIT COMMITTEE, 2019 OCTOBER 24:

That Council receive Report AC2019-1241 for the Corporate Record.

PREVIOUS COUNCIL DIRECTION / POLICY

Bylaw 30M2004 (as amended) established the position of City Auditor and the powers, duties and functions of the position. Under the City Auditor's Office Charter, the City Auditor presents an annual risk-based audit plan to Audit Committee for approval. The City Auditor's Office 2019/2020 Annual Audit Plan was approved on September 18, 2018. The City Auditor is accountable to Council and subject to the oversight of Audit Committee under Bylaw 48M2012 (as amended).

BACKGROUND

This audit was undertaken as part of the approved City Auditor's Office 2019/2020 Annual Audit Plan. The Off-site Levy (OSL) is a charge that developers pay to The City to help with the cost of growth related road, water, sanitary and storm infrastructure, and the land required for this infrastructure. Developers also contribute funding for recreation centers, libraries, fire halls and police stations attributable to new developments and subdivisions. The OSL 2017 Annual Report identifies \$61,198,502 in OSL collection and \$139,188,933 OSL spend, and a \$435,733,428 OSL closing balance at year-end.

The objective of this audit was to determine whether the OSL annual reporting process is effective and ensures complete, accurate, valid and transparent reporting on the collection and use of OSL in a timely and efficient manner that meets legislative requirements. The audit scope focused on accuracy of the 2017 OSL Annual Report which was produced in December 2018, reflecting the OSL collected and utilized to support associated projects. As such, the audit examined supporting documentation from the various service areas that either collect or utilize OSL funds.

INVESTIGATION: ALTERNATIVES AND ANALYSIS

Overall, we concluded that the OSL annual reporting process is not effective. There was no evidence of misuse of OSL funds based on our test sample. An absence of a defined

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governance structure and clear and consistent internal policies and procedures were an underlying root cause impacting the observations noted, specifically:

- Inadequate financial reconciliations;
- Discrepancies in OSL collection and usage reporting;
- Absence of support for the maximum potential project spend eligible for OSL usage;
- Interest on Water Resources OSL balances not reported; and
- Insufficient information included in OSL annual reporting on whether the OSL being collected is sufficient for planned infrastructure spend.

Stakeholder Engagement, Research and Communication

This audit was conducted with Calgary Growth Strategies acting as the principal audit contact(s) within Administration.

Strategic Alignment

Audit reports assist Council in its oversight of the City Manager's administration and accountability for stewardship over public funds and achievement on value for money in City operations.

Social, Environmental, Economic (External)

N/A

Financial Capacity

Current and Future Operating Budget

N/A

Current and Future Capital Budget

N/A

Risk Assessment

The activities of the City Auditor's Office serve to promote accountability, mitigate risk, and support an effective governance structure.

This audit was undertaken as part of the City Auditor's 2019 Annual Audit Plan as a failure to properly steward OSL collected and utilized may lead to legislative non-compliance, reporting errors, damage to The City's reputation and reduced developer support for the OSL.

REASON FOR RECOMMENDATIONS

Bylaw 48M2012 (as amended) states: "Audit Committee receives directly from the City Auditor any individual audit report and forwards these to Council for information."

ATTACHMENT

Off-site Levy Annual Reporting Audit AC2019-1241 ATT