

City Auditor's Office 2019 Annual Report



Calgary

City Auditor's Office





As we welcome a new decade with excitement and anticipation of what lies ahead in the future, it is helpful to reflect on what was accomplished in 2019. This report provides a summary of our 2019 deliverables as an effective City Auditor's Office (CAO) that is accountable to Audit Committee and Council. More importantly, this report articulates the added value that was provided to City Administration through our independent and objective audit, advisory and investigative work that in turn enhances public trust.

Over the course of 2019 the CAO team, which is composed of highly experienced professionals and administrative staff, took responsive action to emerging risks, reduced negative risks which could hamper the success of City Services, ensured the reliability of our work through ongoing internal validation of conformance to our professional standards, and reinforced our resilience through improvements to our office organization, protocols and tools,

We also established, and publicly communicated our key performance measures on a quarterly basis to reinforce our own transparency and accountability. I am pleased to report that in all cases we met or exceeded our performance measures.

Overall, it is the outcome that resulted from our work that really matters. With a budget spend of \$2.8M and a full staff of 17, we identified 102 recommendations or corrective actions. Our ongoing follow-up and monitoring to support timely implementation of 78 management action plans reduced high and medium risk exposures facing The City. We also provided monitoring and assurance on timely corrective actions to mitigate potential of reoccurrence.



As you read our 2019 Annual Report, I hope you obtain better insight into the work we do and the value we provide.





The CAO is recognized as a critical service to support the citizen priority of a well-run city. The pages that follow in this report provide our 2019 results against accountability performance measures as established in the One Calgary 2019-2022 Service Plans and Budgets report. Details on these positive results are further described under our four guiding principles of:

- **Responsiveness;**
- **Risk Reduction;**
- **Reliability; and**
- **Resilience.**

If you would like to learn more about our activities and/or access audit reports issued over the past year, please visit our webpage at www.calgary.ca/auditor.

Katharine Palmer, CIA, CFE, MBA
City Auditor



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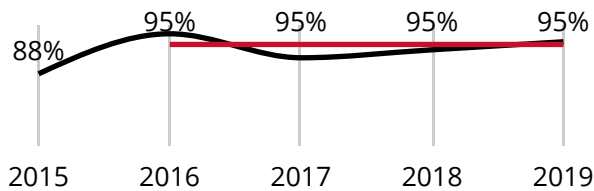
1.0 - One Calgary Accountability



The CAO will continue to track our five performance measures as stated in the One Calgary 2019-2022 Service Plan and Budget. These performance measures align to our guiding principles of Responsiveness, Risk Reduction, Reliability and Resilience.



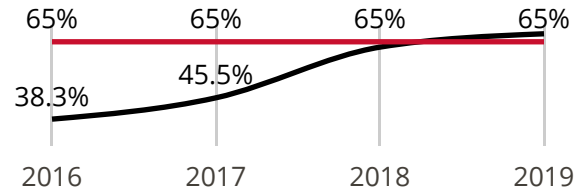
Annual Audit Plan Completion



● Actual ● Target



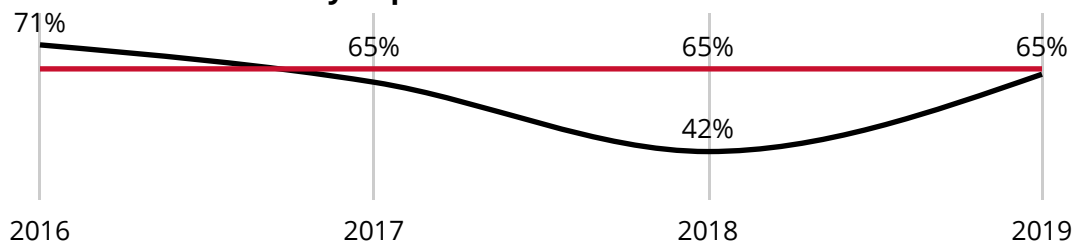
% of Whistle-blower Program Investigations Open < 180 Days



● Actual ● Target



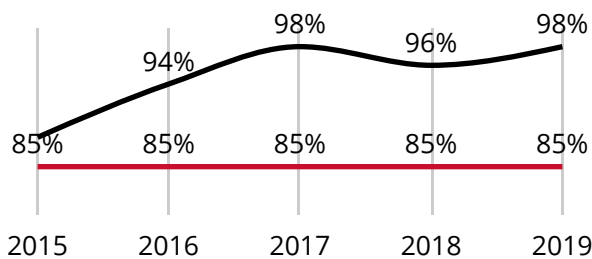
Timely Implementation of Action Plans



● Actual ● Target



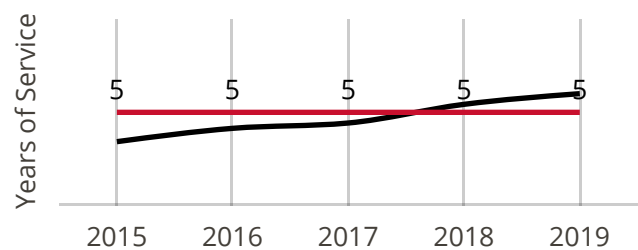
CAO Client Satisfaction



● Actual ● Target



Staff Retention



● Actual ● Target

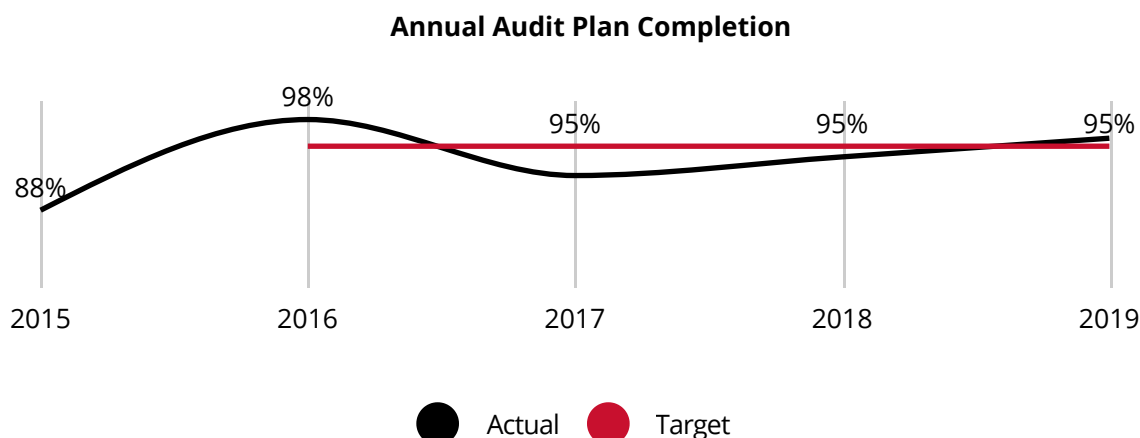
Responsiveness: The ability to assess and react to current and emerging risks through audit assurance, advisory and investigative services.

2.1 - Our City Auditor's Office Mandate

The CAO is accountable to Audit Committee and Council, assisting them in their oversight and governance role over Administration. Our work is conducted in accordance with our audit mandate as established through Bylaw 30M2004. We add value in our independent and objective audit assurance, advisory and investigative work which enhances public trust. Our work directly supports the citizen priority of a well-run city.

2.2 Audit Services

The CAO delivered the 2019-2020 Annual Audit Plan to Audit Committee for approval on September 18, 2018. We developed the two-year plan using a risk-based based framework to ensure available resources were focused on areas of significant risk across Administration's business units and services. The CAO tracks the percentage of the annual audit plan completed, based on an established schedule. At year-end we exceeded our audit plan completion target expectations (96%). In addition to providing a timely delivery of audits, we also initiated planning on one audit scheduled in the 2020 plan.



2.3 - Advisory Services:

The CAO provides advisory services on a issue or project specific basis as requested by Administration. The intent of our advisory services is to provide an independent view and insight on current, new or emerging risks and opportunities facing The City based on our knowledge of best practice on risks, controls and governance frameworks along with our deep understanding of City strategies, culture and organization. Our advisory service work does not impede our ability to conduct objective audits at a future date. During 2019, the CAO provided advisory services to a number of areas including:

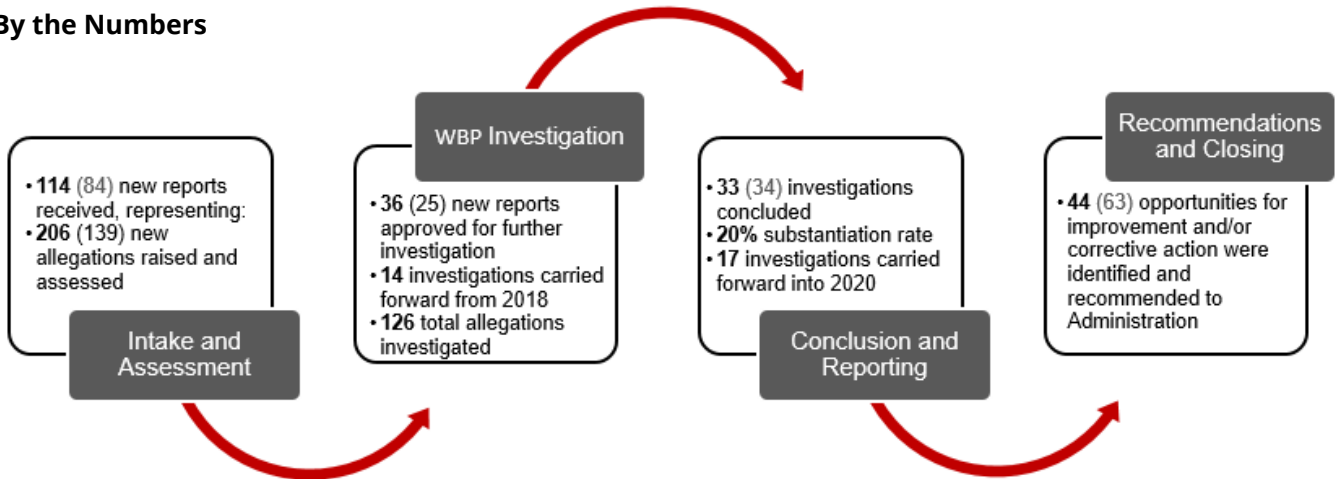
- The City's Infrastructure Calgary Steering Committee as an advisory member;
- The City's Corporate Project Management Framework Steering Committee as an advisory member;
- Support to two business unit initiatives through provision of data analytics;
- Input on potential risks and opportunities provided to two business unit projects focused on efficiency of City processes; and
- Business unit input to a review of draft standards.

2.4 - Investigation Services - Whistle-blower Program

The Whistle-blower Program (WBP) was established in 2007 through Council policy CC026 as an independent, objective, and confidential channel for all Calgarians, including employees and service providers, to report suspected waste and/or wrongdoing. The WBP operates independently from Administration, and under the direct responsibility of the CAO.

2019 was a busy year for the WBP. We noted a significant increase in the complexity and volume of reports submitted compared to prior years from employees and Calgarians.

By the Numbers

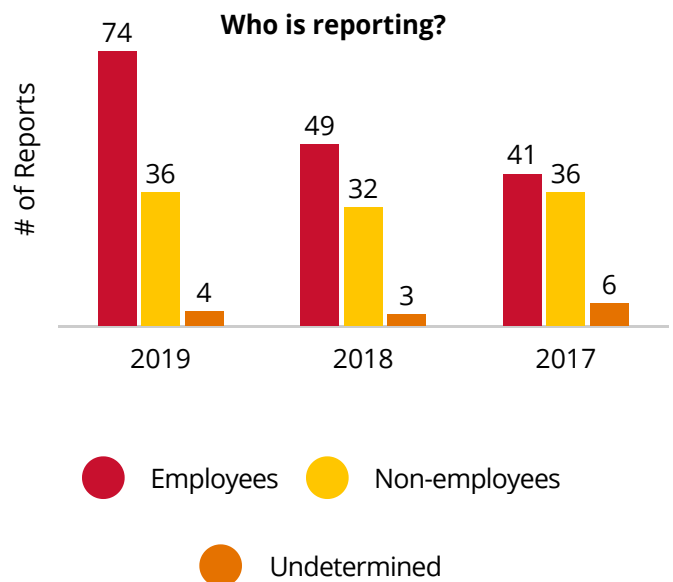


WBP activity for the year ending December 31, 2019 (numbers in parentheses represent 2018 figures for comparative purposes only):

More employees utilized the WBP channel in 2019 than in past years while non-employee reporting remained relatively unchanged.

Historically, employees have accounted for approximately 54% of reports of suspected acts of waste and/or wrongdoing received by the WBP. In 2019, employees reported 65% of all concerns raised to the WBP.

Increased reporting activity by employees can be considered a positive indicator. It shows employees across the organization are aware of how to report to the WBP, and that they feel empowered to report anonymously when appropriate. It also demonstrates the confidence employees have that concerns reported to the WBP will be investigated in an objective and appropriate manner.



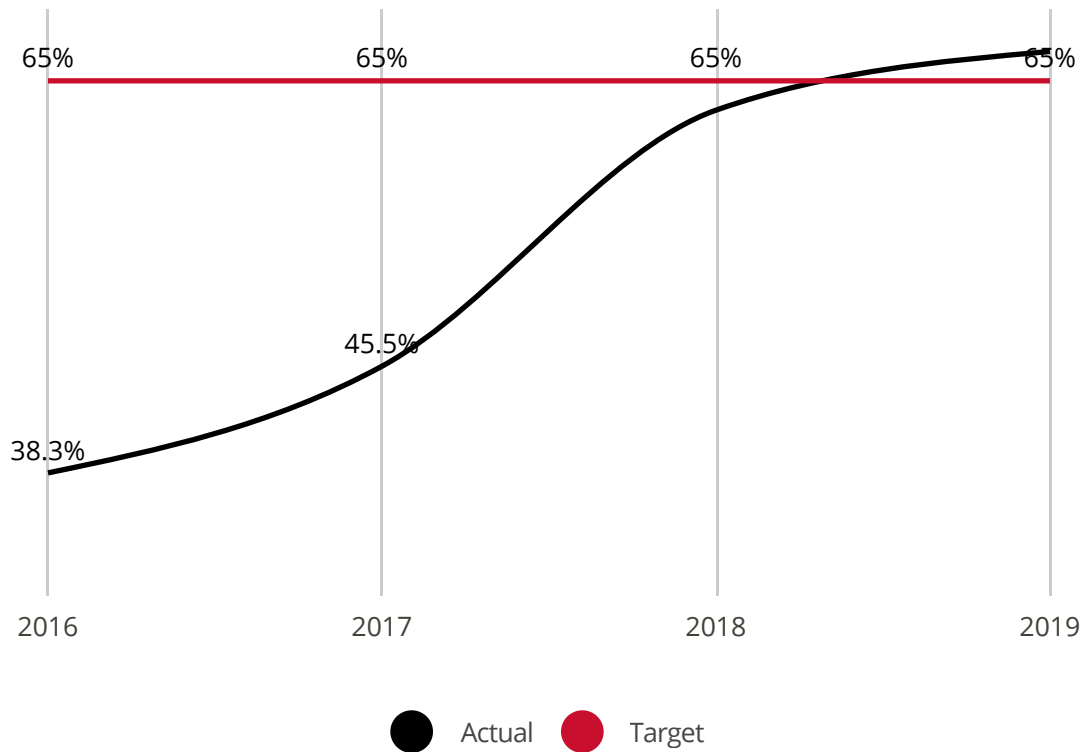


Investigation Closing Rates

One of the measures of responsiveness for the WBP is the average time an investigation is considered open. In the short term, with existing resources, the WBP strives to close investigations within six months, 65% of the time, recognizing each investigation has its own complexity. Even though overall volume has increased, procedural enhancements and efficiencies applied to the WBP in recent years have shown their effectiveness in supporting year over year continual improvement in timely assessment and response to concerns reported in 2019, resulting in:

- 93% reduction in outstanding investigations aged greater than one year.
- 18% reduction in average number of calendar days required to complete investigations compared to 2018.

% of Investigations Open Less Than 180 Days - WBP Efficiency Measure





Risk Reduction: Audit, advisory and whistle-blower recommendations cost-effectively address risk and are implemented in a timely manner.

3.1 - Audits Completed:

During 2019, we issued nine audit reports and raised 54 recommendations, focused on mitigating high or medium risks to which Administration provided 71 action plans.

Calgary Parking Authority Asset Management Processes Audit - AC2019-0010

Calgary Parking Authority is The City's partner entrusted to manage, control, operate and maintain seven parkades with an assessed value of \$290M. In 2017, the parkades generated gross annual revenues of \$27.2M and returned \$19.8M to The City. Parkades are vital to Calgary Parking Authority's core business and provide a significant revenue stream for The City.

Effective asset management processes throughout each parkade's lifecycle are fundamental to ensure customer safety, sustainability of operations and continued financial return to The City. Effective asset management will also help realize optimal asset value over each parkade's lifecycle by supporting appropriate forecasting, resource allocation, and decision-making.

Our audit assessed the adequacy of Calgary Parking Authority's asset management processes for the parkade portfolio, including the design and operational effectiveness of significant controls that mitigate safety, financial and reputational risks.

Result: We determined asset management processes required significant improvement and provided recommendations to assist Calgary Parking Authority in establishing a strategic framework to support effective asset management and appropriately mitigate safety, financial, and sustainability risks.

Our recommendations were intended to assist Calgary Parking Authority by identifying areas of higher priority and areas where they could build on current processes and initiatives underway. We noted a top priority was the development of an Asset Management Strategy.

An Asset Management Strategy will help Calgary Parking Authority realize optimal value over each parkade's full life-cycle and effectively manage safety risks associated with parkades in poor condition.

"A collaborative approach was taken and the focus on making improvements was appreciated."

**- Glen Furtado,
General Manager,
Calgary Parking Authority**

Annual Control Environment Assessment Audit - AC2019-0214

The City of Calgary operates utilizing a complex system of internal controls designed to prevent risks that could raise costs or threaten the achievement of City objectives.

Annually, Finance reports on these controls to Audit Committee through the compilation of a Control Environment Assessment (Assessment), based on the COSO internal control framework.

Our audit assessed the effectiveness of the overall design of the Assessment and assessed the operating effectiveness of specific controls listed in the 2018 Assessment under COSO Principle Three, “Establishes Structure, Authority, and Responsibility”.

Result: Finance have established a series of activities that support the annual compilation of the Assessment, based on a network of control contributors across Administration, and the utilization of the COSO internal control framework.

In reviewing the purpose of the Assessment, we identified transparency, regarding the level of assurance being provided to Audit Committee, should be improved by the inclusion of a type definition (financial, non-financial) and level definition (entity wide, or business unit level) of control included within the Assessment.

Finance agreed with our recommendation to provide greater transparency to Audit Committee regarding control definitions and have subsequently completed consultation with Audit Committee to agree the future direction of the Assessment.



Calgary Community Standards – Livery Transport Services Audit - AC2019-0278

Livery Transport Services within the Calgary Community Standards business unit regulates drivers, vehicles and companies in the livery industry according to the requirements of the Livery Transport Bylaw (6M2007).

Significant livery industry changes occurred in 2016 with the introduction of transportation network companies, which added 4,500 drivers and associated vehicles-for-hire to Livery Transport Services' responsibilities. Regulation of livery services is a critical component to ensure the safety of passengers and drivers.

Result: Overall, existing controls were operating as designed to support safety of passengers and drivers. We highlighted the contribution these controls make to public safety, such as taking vehicles with serious defects out of service.

We also noted areas within the three livery teams where existing controls required enhancement to ensure consistent performance and provided Administration with associated recommendations.

We identified three significant areas requiring improvement that reflected growing industry complexity and opportunities to provide effective and efficient monitoring of all classifications of livery vehicles and drivers:

- Validating security camera operation;
- Defining an integrated enforcement strategy utilizing data analytics; and
- System enhancements to provide the necessary data.



Green Line Project Governance Audit - AC2019-0353

The Green Line is the largest infrastructure investment in Calgary's history at \$4.65 billion. Given the size and complexity of the Project, effective governance is a critical component to support achievement of Project objectives.

The objective of the audit was to assess the effectiveness of the current governance framework of the Project and focused on the governance in place during Q4 2018 to support effective risk and issues management and decision making.

Result: The Green Line Project Charter was completed in February 2017, however by February 2019 key components of project governance remained incomplete or were not fully functional to effectively support the achievement of project objectives.

We recommended that the project team should implement an updated project governance framework, and, subsequently, reassess project risk again to identify underlying or previously unknown risks. The project team have requested two extensions to recommendation action plan dates which now extend to March 2020. At an appropriate time, we plan to conduct a follow-up audit of the revised governance structure.



Planning Application Review and Approval Process Audit - AC2019-0466

The Planning and Development department manages the creation and redevelopment of safe and sustainable communities in Calgary. The Calgary Approvals and Community Planning business units within Planning and Development, alongside a cross-departmental team of specialists and generalists, collectively provide planning application review and approval services with the objective of providing customers with a quality and fair decision in a timely manner.

To support this objective, Planning and Development implemented new processes to enhance the efficiency and effectiveness of review and approval processes and communication with applicants. Our audit was designed to provide assurance the Calgary Approvals and Community Planning business units had effective risk mitigation controls within their planning application review and approval process to support achievement of quality, fair, and timely decisions.

We conducted this audit since effective review and approval services are critical to development realization, which supports retention and attraction of private investment in Calgary.

Result: Overall, we determined controls related to established application review and approval processes were operating as designed. We recommended refinements to improve performance monitoring processes and feedback mechanisms. We reviewed new processes recently implemented and noted a positive effect on timelines and transparency and identified further design enhancements to achieve the intended operational objectives.

"I couldn't be happier with the audit process, the staff, and the results from the work. It has already had positive impacts on our business and the service we provide."

**- Darren Lockhart,
Manager, Planning**



Emergency Management Audit - AC2019-0678

Analyzing disaster-related risks and developing associated business continuity plans are vital to develop plans to mitigate risks to citizens and the geographical area, and to maintain viable recovery strategies for the continuity of essential services and continuity of government following a disruptive event.

This audit had two objectives. The first was to determine if The City has an effective process to prepare, review and communicate a disaster/hazard identification and risk assessment, which in turn identifies emergency management priorities for mitigation and preparedness activities. The second objective was to determine if The City's business continuity plans are designed and operating as an effective control to mitigate the risk The City is unprepared to effectively provide services during an emergency event.

The audit was conducted alongside independent but complementary audits completed by the Office of the Auditor General of Alberta, and the City of Edmonton City Auditor's Office. The intent of this audit initiative was to support broader insight and assurance on the state of emergency preparedness in Alberta and to communicate this to decision makers/the public through the audit reports.

"We appreciated the approach of the audit which in our minds improved the outcome. It felt like we were truly working with the auditor even though he was completely independent."

- Tom Sampson, Chief, CEMA



Result: We concluded that the Calgary Emergency Management Agency (CEMA) has established an effective disaster risk assessment process to support The City's emergency mitigation and preparedness activities through the preparation, review and communication of the assessment.

CEMA has designed a business continuity planning process that, when followed by business units, supports the Business Continuity Planning Policy's purpose of ensuring city services are delivered in the event of a disruption caused by emergencies. However, the business continuity planning process had not been implemented by all tested business units.

Our recommendations focused on effective escalation on non-compliance issues to the Administrative Leadership Team, engagement of business units to support adherence to the Business Continuity Planning Policy, and oversight and monitoring to ensure that business continuity plans are revised, validated, and updated as required.

Supply Management Warehouse and Inventory Audit - AC2019-1027

Effective management of inventory supports the delivery of City services by facilitating availability of inventory, while managing obsolete or unneeded inventory to make best use of City dollars, and to avoid waste.

Supply Management provides a Procurement and Warehousing service as well as an Inventory sub-service to support The City's business units. This includes both business unit specific inventory such as vehicle batteries, and more general usage items such as safety vests.

During 2018, Supply Management managed 26 warehouses and an average monthly inventory value of approximately \$43 million. The objective of this audit was to assess the effectiveness of The City's management of inventory by evaluating the design and operation of key process controls that support the accuracy and completeness of inventory records.

Result: We concluded that controls in operation supporting the accuracy and completeness of inventory records were partially effective. Controls that support the accurate entry of inventory received in FSCM, access to warehouses, and physical inventory count were designed and operating effectively. However, the system control to force a second person approval of significant inventory write off and adjustments was not operating as expected.



"The audit was very useful to ensure we have the right level of controls in place. Thanks to everyone who supported us, I felt it all went well and we got some good outputs."

**- Rob Eccleston,
Manager, Warehouse and Inventory**

Waste & Recycling Services Audit - AC2019-1240

Waste & Recycling Services provides residential blue cart recycling services to over 325,000 households. The Blue Cart Program is a key step towards achieving Council's goal of 70% waste diversion by 2025. The success of the program is impacted by materials placed in carts that are not acceptable (contaminants).

Waste & Recycling Services monitors contamination levels and utilizes an established mix of contamination prevention activities including education programs, communication campaigns, and tagging of visibly contaminated carts by Collection Services. Despite these ongoing activities The City experienced an upward trend in contamination levels following the change from weekly to bi- weekly black cart collection, which began in July 2017.

Contamination can harm workers, tasked with collecting and processing recyclables, and damage equipment when households place items like propane tanks in their blue carts, which can explode during collection and processing. The City also pays higher processing costs when contamination exceeds 8%.

The intention of the audit was to determine if Waste & Recycling Services had effective processes to evaluate and report on the effectiveness of activities and programs implemented to reduce contamination and assess whether contamination reduction activities were designed and operating effectively.

Result: We determined some components of an evaluation framework were in place or work was underway to implement them. Although Waste & Recycling Services was collecting data that could feed into an evaluation framework and support reporting on the effectiveness of activities and programs implemented to reduce contamination, additional goal setting and evaluation processes were needed to determine if contamination prevention activities were making an impact and achieving value for money.



Off-Site Levy Annual Reporting Audit - AC2019-1241

The City charges developers an Off-site Levy (OSL) under the Off-site Levy Bylaw (2M2016) to help with the cost of growth related to road, water, sanitary and storm infrastructure, and the land required for this infrastructure as permitted by the Municipal Government Act and City Charter. Developers also contribute an OSL for recreation centers, libraries, fire halls and police stations attributable to new developments and subdivisions.

The City has a responsibility to use OSL for the purpose intended and accurately account for and report on the collection and use of the OSL.

Our audit's objective was to determine whether the annual reporting process was effective to ensure complete, accurate, valid and transparent reporting on the collection and use of OSL in a timely and efficient manner that meets legislative requirements.



Result: Our audit identified an absence of a defined governance structure along with clear and consistent internal policies and procedures as a root cause of the following:

- Inadequate financial reconciliations and 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 the planned infrastructure spend.

Alberta Pension Services (APS) - Compliance Audit

The Chief Human Resources Officer engaged the City Auditor's Office to carry out the legislated triennial compliance audit of The City's three pension plans administered by Alberta Pension Services for the 2018 pension year.

Result: We worked collaboratively with staff in Human Resources and Finance to obtain pension information and documentation to complete testing. We completed all audit steps outlined in the 2018 Alberta Pension Services Instructions and submitted required reports on June 28, 2019, to meet the June 30, 2019 deadline.

3.2 - Data Analytics Desktop Review Program

Data analytic desktop reviews broaden the reach of the CAO to conduct more audits of a specific type in less time. All of this brings deeper insights into City systems and controls and supports the ongoing assurance the CAO can provide in an economic manner. It also improves The City’s ability to be responsive to changing risks.

During the pilot of this program in 2019, desktop reviews were completed in less than 50% of the average elapsed time of a traditional audit and did not require a significant amount of support time from the business under evaluation.

With the approved increase of an additional resource, we plan to launch the Data Analytics Desktop Review Program in Q2 2020. The reviews conducted under this program will provide wider assurance on operational compliance and will utilize less resource cost than a traditional risk-based audit.

The program utilizes The City’s data sourced from multiple systems to evaluate compliance and best practice across the organization, to provide timely feedback to Administration when noncompliance occurs, and to monitor trends to identify escalating risks for remediation.

Result: The pilot program was successful from the perspective of both Administration and the CAO. Results of the pilot confirmed the reliability of the data. Administration indicated they found our reporting provided insight that guided opportunities for improving compliance and operational efficiency.

Over the long term, it is anticipated that significant benefits will be provided to Audit Committee and Council specific to their governance and oversight role.





3.3 - Audit Recommendations

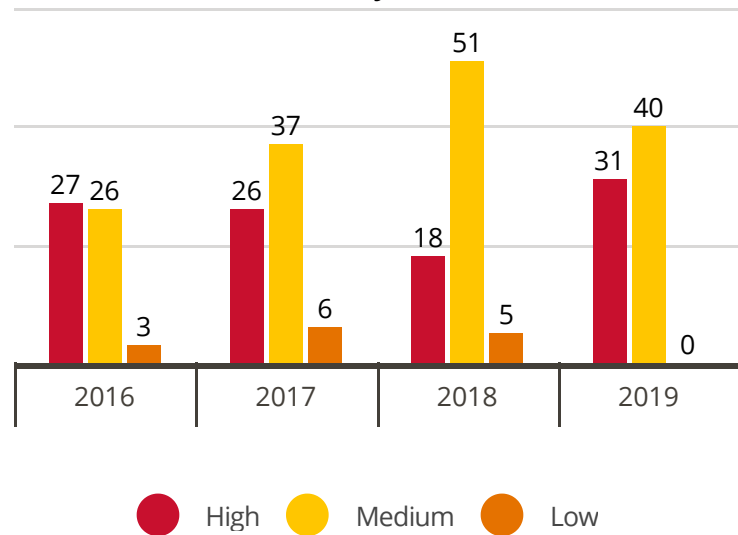
The CAO takes a risk-based approach throughout the execution of audits. Each audit focuses on key risks to the achievement of Administration's objectives, which supports meeting City priorities. With Administration's input, identified risks are ranked from high to low based on the impact and likelihood should the risk event occur. Where audit testing determines existing processes and controls result in unmitigated risk exposure (i.e. residual risk), audit recommendations are raised for Administration to respond with defined action plans.

Initiated at the beginning of 2019, our audit recommendations intentionally focused on high and medium residual risk exposure, which assists Administration and Council to prioritize resources on areas of greater importance and value. This new approach reinforces the importance of effective risk management and decision making utilizing a risk-based approach.

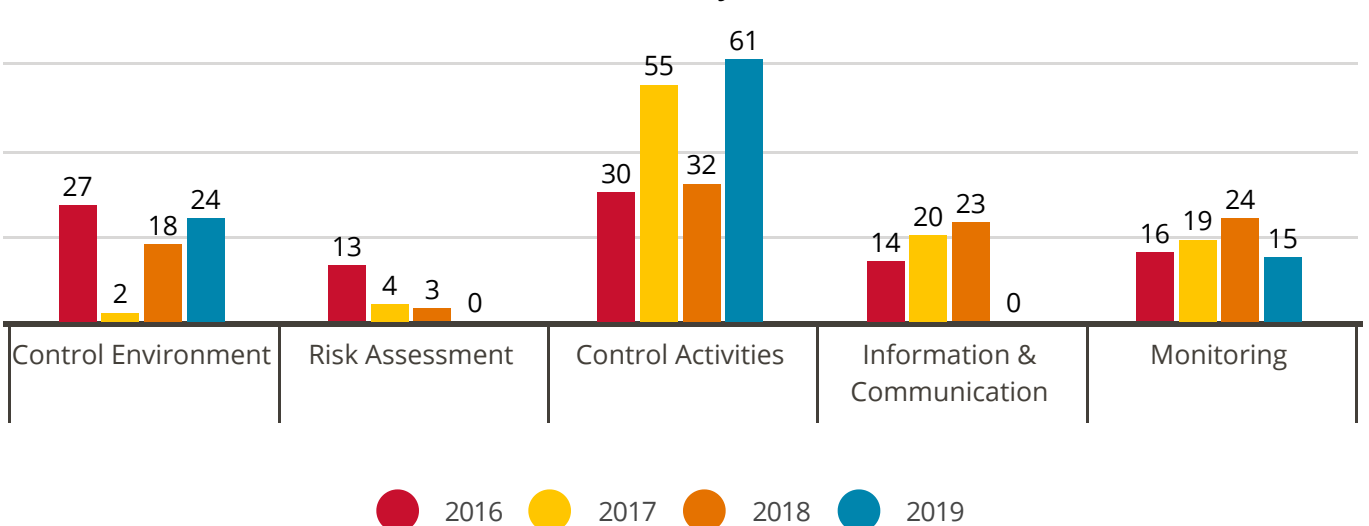
The CAO provides independent assurance regarding the effectiveness of governance, risk management, and internal control. The COSO Internal Control Framework is a widely accepted framework that outlines the principles and components necessary for an organization to effectively manage risks by implementing internal controls. The CAO categorizes recommendations into the five fundamental COSO components to identify potential trends and provide Administration with additional insight into the effectiveness of internal controls.

Over the last four years the CAO has consistently raised recommendations focused on embedding and enhancing effective control activities, which we view as a positive outcome of our risk-based audit process. We evaluate all COSO components when raising recommendations to Administration and focus on practicality, cost efficiency, addressing root cause and mitigating future business risk to an appropriate risk tolerance.

of Action Plans by Risk Level



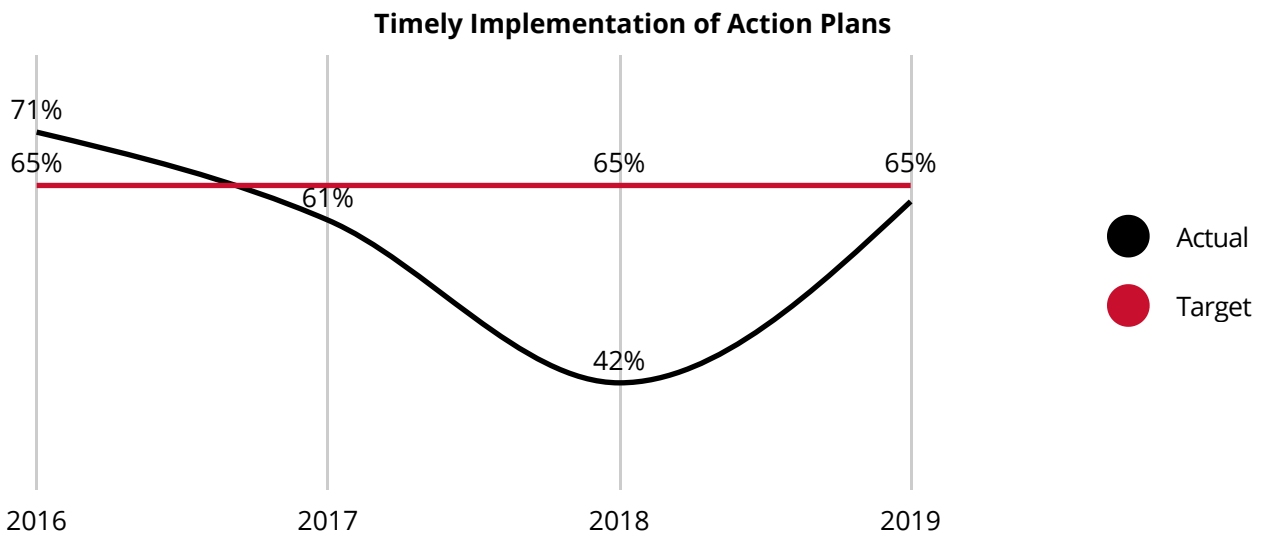
Recommendation by COSO Element (%)





3.4 - Implemented Recommendations

The CAO tracks the timely implementation of action plans, which frequently varies from quarter to quarter as Administration's planned actions can be impacted by other City priorities, initiatives and projects. Our tracking noted an improvement in the timely implementation of recommendations during Q3 and Q4, reflecting Administration's commitment to monitor recommendations and implement action plans to effectively mitigate risk exposure

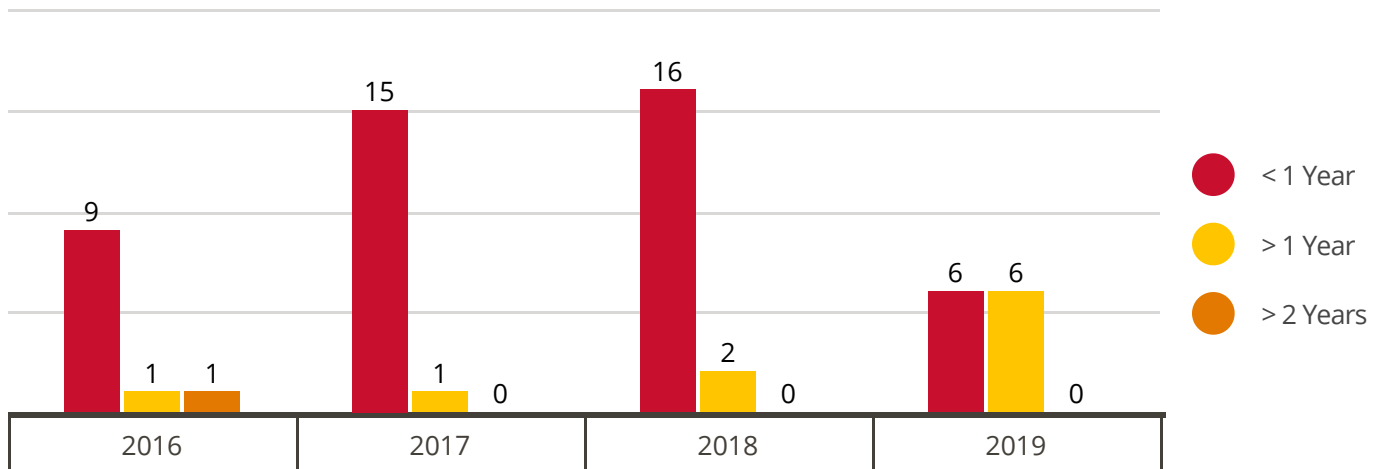


In 2019, Administration implemented 74 action plans and accepted the risk on four outstanding plans. Of the 78 closed action plans, the majority were medium (62%) and high risk (31%).

At year-end there were 53 outstanding action plans compared to 60 in 2018. Of these, 12 were considered overdue since Administration required more time to fully implement the action plans. There was a significant reduction in the number of overdue action plans this year. We believe this is reflective of Administration's renewed commitment to focus on effective risk management.

We will continue to support Administration's commitment through quarterly monitoring of action plans and assessment of residual risk, particularly on those action plans that are outstanding for more than one year.

of Overdue Action Plans



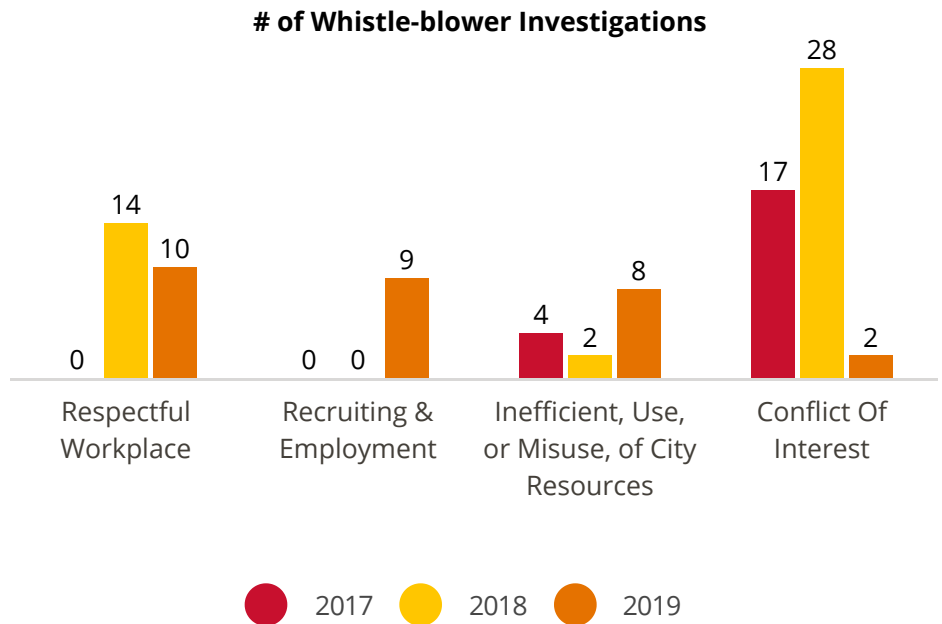
3.5 - Whistle-blower Investigation Recommendations

The WBP is more than an investigative body tasked with responding to reports of suspected acts of waste and/or wrongdoing. It provides additional value by looking at what prompted a report to a contributing event, which can either be localized or more broadly applicable across the organization. Identifying root causes and recommending timely corrective actions are valuable components of an employee reporting program and are reflected in our WBP policy.

Our recommendations assist Administration in correcting deficient processes which may have contributed to an activity investigated. There may also be times when a recommendation, as an opportunity for improvement, is raised even though the allegation was unsubstantiated. In 2019, opportunities for improvement or corrective action were identified in 48% of concluded investigations. Regular follow-up with Administration occurs to support timely action. As at year end, 61% of WBP recommendations raised during 2019 were closed. The issues supporting the outstanding recommendations are not considered high risk to the organization, and their implementation remains within expected timelines. All recommendations raised in prior years have been implemented.

The majority of recommendations raised in 2019 were in response to the investigation of allegations involving respectful workplace, recruiting and employment, and inefficient use, or misuse of City resources. A notable decrease in reporting was observed involving conflicts of interest.

Due to a direct correlation between the types of issues investigated and corrective actions recommended, it is difficult to state with certainty that the implementation of corrective actions as recommended to the WBP have directly resulted in a decrease in reporting of any specific issue. Where investigation identifies broader, or systemic issues, these are raised appropriately and result in organization-wide corrective action recommendations.



A summary of each investigation resulting in corrective action is disclosed on our webpage www.calgary.ca/whistle, which is updated on a quarterly basis. The identifying information of the individuals or business units involved is excluded as per our commitment to reporter protection and privacy.

Investigations shared on the WBP webpage may incorporate corrective actions which are not detailed or itemized. The publishing of allegations and investigative findings and corrective actions supports WBP transparency, accountability, and The City's commitment for appropriate response and action.



Reliability: Audit, advisory and investigative services add value and are effectively completed by skilled, experienced professionals.

4.1 - Audit and Advisory Professional Work Standards

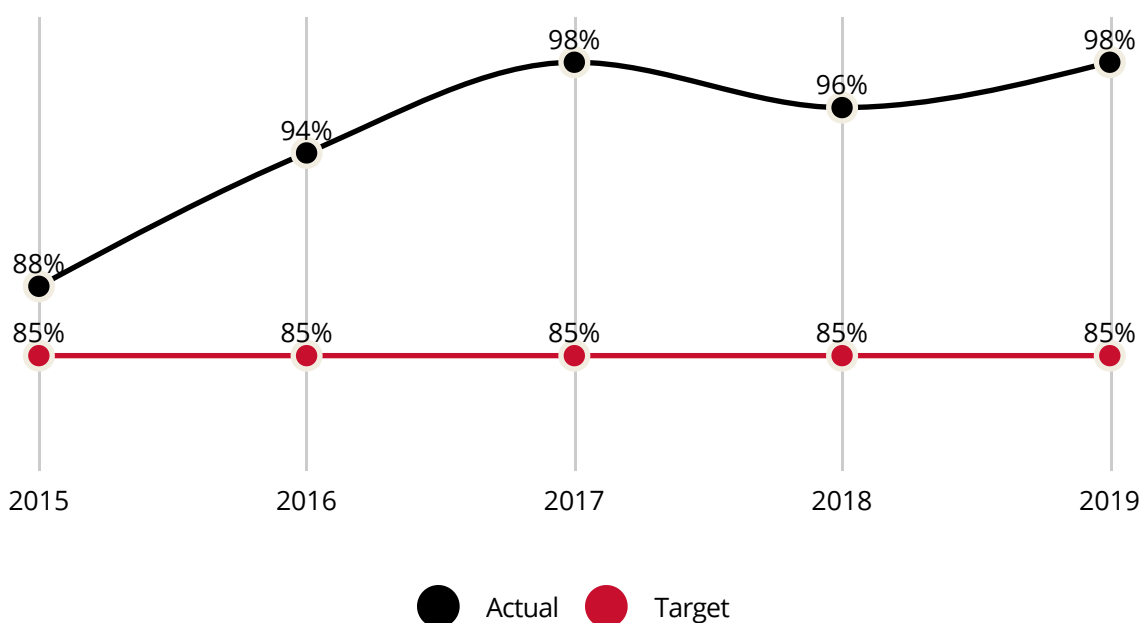
The CAO conducts its audit and advisory activities in adherence with the Institute of Internal Auditors' (IIA) International Standards for the Professional Practice of Internal Auditing (Standards). The Standards require an internal quality program to be implemented. Our internal quality program was conducted throughout the year, and included the completion of:

- Quarterly audit file peer reviews (by an auditor not involved in the audit);
- Quarterly KPI monitoring;
- Post-audit lessons learned exercises and client surveys; and
- Periodic review and update of key audit processes.

The internal quality activity evidenced conformance to standards, and opportunities for further process improvements were incorporated into updates of procedures and practices. As part of this activity, the CAO confirms the continued organizational independence of its operation.

Client Satisfaction Survey

The CAO requests internal Administration's feedback at the conclusion of each audit project through a survey of ten questions focused on audit delivery and value add. Fourteen client surveys were received during 2019 covering ten audits with a response rate of 70%. In future years we plan to adjust the survey to capture feedback on advisory services and value provided.



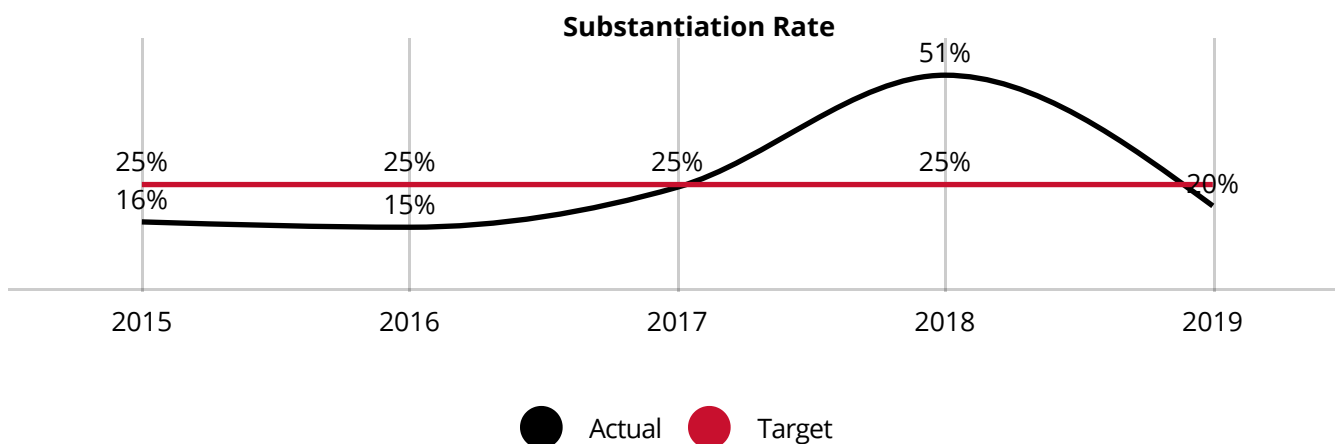
4.2 - Whistle-blower Investigation Practices

Whistle-blower investigations are carried out in alignment with best practices and the codes of conduct of the Association of Certified Fraud Examiners and Association of Certified Forensic Investigators of Canada. Quality reviews are conducted on all completed investigations.

WBP assessment procedures applied to each report received determine whether the allegations raised by employees and Calgarians merit further investigation. Only an investigation can determine whether an activity as reported is substantiated. The substantiation rate of investigations completed in 2019 was 20%, slightly below the five-year average of 25%.

While attaining a high substantiation rate is not an objective of the WBP, a higher rate can be an indicator of an informed reporter who, familiar with what constitutes a breach or violation of policy or procedure, submits a timely and specific report which is critical in investigating allegations.

Several factors contribute to substantiation rates including: quality of information provided in support of allegations, transparency within an organization regarding decision-making, the number of allegations investigated, and the standard of proof applied to investigations.



Sensitive Reports

WBP procedures require all whistle-blower reports involving any staff member of the CAO to be assessed independently by the Chair of Audit Committee. Reports submitted online and identified as sensitive are redirected for confidential review only by the Chair, bypassing staff tasked with operating the WBP. On the determination a report does not involve a staff member of the CAO, the Chair, redirects the report to the WBP for assessment. Reports identified as sensitive and not redirected to the WBP are not included in any statistics reported.

The Chair has confirmed that sensitive reports received in 2019 were appropriately assessed and, with the exception of one, were considered closed at year end.

Whistle-blower Protection

Any City employee reporting a concern to the WBP in good faith is provided protection against reprisal. City employees who believe reprisal has occurred are encouraged to contact the City Auditor. Any suspected acts of reprisal reported to the City Auditor in 2019 were appropriately assessed and concluded.

4.3 - Professional Designations & Training

The foundation of the CAO is the professional skills and knowledge of the staff. To run effective audits, advisory projects and investigations, a range of complementary professional designations enhances the team's effectiveness. All staff conducting audits, advisory and whistle-blower investigations have at least one of the Certified Internal Auditor, Certified Information Systems Auditor, Certified Fraud Examiner or Certified Forensic Investigator designations.

Professional Designation	Number of Staff
Internal Audit	9
Fraud	4
Accounting	9
IT	5
Project Management	2

Staff Training

Staff need to continually build knowledge and skills to keep current on best practices, build expertise and support succession planning. Individual learning and development plans are developed at the beginning of each year for each staff member that balance training needs, budget, and resource constraints.

As we value the importance of staff training, we monitor the completion of these plans.

Measure Area	Performance Indicator	Target	2019	2018	2017	Comments
Staff	Training Plan Achieved	90%	96%	98%	98%	Professional training included a cost effective mix of internal/external and self-study

Throughout 2019, two of our professional staff have contributed personal time to give back to their external peer community through volunteering as a Board member of IIA Canada or as a Sub-committee Chair of the Association of Local Government Auditors.

Resilience: Establish and maintain structure and protocols, which provide adaptability and agility, to ensure the continued delivery of City Auditor’s Office services.

5.1 - Budget

The CAO strives to provide the highest level of independent and objective assurance, advisory and investigative services within our Council-approved budget. Our approved 2019 annual budget includes costs associated with completing audit, advisory and investigative services.

Capital Budget

Council approved a one-time capital investment of \$140K to enhance CAO resiliency and our ability to deliver our services. Over the last year, the CAO completed an effective office renovation that improved our productivity and office technology in an enriched space. The key improvements of the \$85K renovation were:

- Upgrade existing meeting rooms to address end of life technology and align to City standards.
- Create office and meeting spaces to accommodate approved FTE from 16 in 2018 to 18 in 2020.

Operating Budget

Most of the CAO budget represents salary and associated costs for the professional team. The CAO generally maintains funding within its budget to enable the office to hire subject matter experts to evaluate specialized risk areas or provide specific knowledge. In 2019, this budget was eliminated due to Council-mandated budget reductions. The CAO was able to utilize contract audit resources to assist with the Fire Inspections Audit due to a staff departure in Q4.

(\$'000's)	2019 Annual Budget	2019 Actual	Variance	2018 Annual Budget	2018 Actual	2017 Annual Budget	2017 Actual
Salary	2,684	2,585	(99)	2,619	2,424	2,619	2304
Tools & Technology	120	108	(12)	125	118	115	113
Training	52	56	4	65	51	65	71
Contracted Work	0	10	10	21	18	70	113
Other	78	78	0	84	71	81	66
Total	2,934	2,837	(97)	2,914	2,682	2,950	2,667

5.2 - Business Continuity

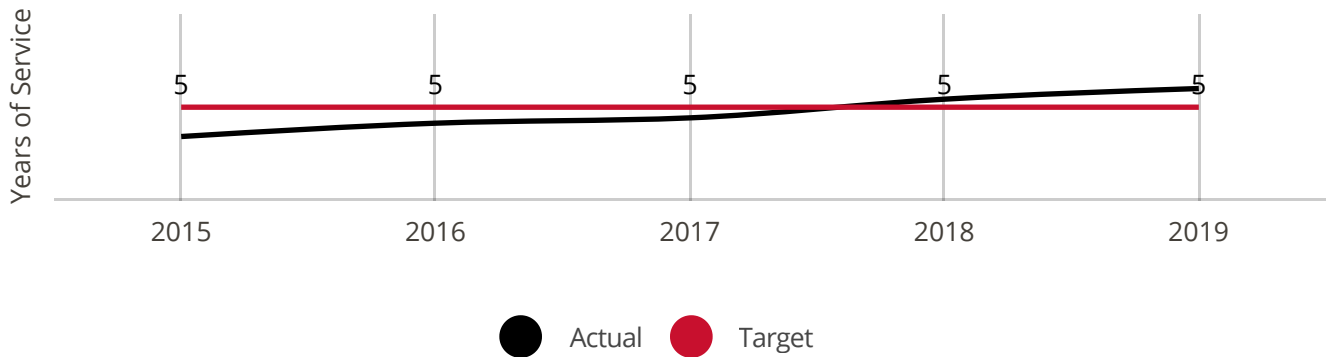
The purpose of business continuity is to ensure City Services can be delivered in the event of a disruption caused by emergencies. To further support our resilience, during 2019 the CAO reviewed and updated our Business Continuity Plan, and supporting business impact assessments. We also completed a walk-through of our Business Continuity Plan as a team and confirmed through testing our ability to access IT services from outside our office space.

5.3 -Staff Engagement and Retention

The City of Calgary has conducted annual employee surveys since 2005 to measure corporate goals, business planning cycles, performance management processes and wellness initiatives. The survey includes questions on employee engagement, mental health, inclusion, perceptions of safety, customer service, collaboration and communication.

Over the last three years, The CAO has maintained consistently high scores in all of the key drivers to support employee engagement and retention. Our commitment to our staff and the work we do every day is an essential part of our accountability, mission and mandate as an effective audit team that provides transparency and a consistent delivery of excellent services and value-added advisory and investigatory services.

We track staff retention on an annual basis. Our target of an average of five years of service or higher reflects the need for staff to have an in-depth knowledge of The City to consistently deliver according to internal standards and provide value-added advice. At the end of 2019, our staff had an average of six years of service within the CAO.



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