

Operating Budget Management Audit

EXECUTIVE SUMMARY

The City Auditor's Office issued the Operating Budget Management Audit Report to Administration on March 5, 2020. The report includes Administration's response to two recommendations raised by the City Auditor's Office to strengthen the City's management of operating budget. Administration accepted both recommendations and has committed to the implementation of action plans no later than December 31, 2021. The City Auditor's Office will track the implementation of these commitments as part of our ongoing follow-up process.

RECOMMENDATIONS

That with respect to the Report AC2020-0343, the following be approved:

1. That the Audit Committee receive this Report for the Corporate Record; and
2. That the Audit Committee recommend that Council receive this Report 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 City's 2019 operating budget was \$4,027M to support the 61 services delivered by The City. Oversight of the capital and operating budget lies with the Corporate Budget Office. City Department budgets are disseminated to business units (BUs) within Departments, and at the BU level, budget is further assigned to DeptID owners. DeptID owners assume responsibility for monitoring and managing expenditure allocated to their DeptID.

The objective of this audit was to assess whether The City effectively monitors and manages operating budgets to appropriately mitigate key risks. We did this by assessing the effectiveness of processes and tools utilized against The City's expectations of budget management and the Government Finance Officers Association's Best Practices of Budget Monitoring published March 2018. The audit scope focused on processes and reporting tools utilized by DeptID owners to manage their operating budget/expenditure during 2018 and 2019. As such, the audit examined supporting documentation and assessed processes from the various BUs and the activities by Finance to support BUs management of their operating budgets.

INVESTIGATION: ALTERNATIVES AND ANALYSIS

Overall, we concluded that The City's operating budget management and monitoring practices are in place and generally align with the seven Government Finance Officers Association's Budget Monitoring Best Practices. We identified two key areas to be strengthened for The City to have a comprehensive budget monitoring practice: Who is responsible and outlining roles,

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and Communication. Our recommendations assist Finance to address disclosure, effectiveness, and efficiency in its budget management process.

Stakeholder Engagement, Research and Communication

This audit was conducted with Finance acting as the principal audit contact 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 2019/2020 Annual Audit Plan as two key risks could arise from ineffective operating budget management:

- Financial risk: unidentified or un-managed expenditure in excess of budget could impact the City's ability to achieve objectives with available resources.
- Reputational risk: Stewardship over public funds is The City's responsibility to Calgarians.

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

Operating Budget Management Audit AC2020-0343 ATT