

## **CALGARY NEIGHBOURHOODS' SUPPORT OF COMMUNITY ASSOCIATIONS AUDIT**

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### **EXECUTIVE SUMMARY**

The City Auditor's Office issued the Calgary Neighbourhoods' Support of Community Associations Audit Report to Administration on April 18, 2017. The report includes Administration's response to two recommendations raised by the City Auditor's Office to enhance reporting and communication. Administration accepted all recommendations and has committed to the implementation of action plans no later than October 1, 2018. 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, DATED 2017 JUNE 22:**

That Council receive this Report for information.

### **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 2016/2017 Annual Audit Plan was approved on December 10, 2015. 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 2016/2017 Annual Audit Plan. The objective of this audit, as revised using a risk based approach, was to assess the design of key controls in place to identify, assess, communicate and support timely mitigation of risks to Community Associations' (CAs) sustainability including the reporting and escalation process. We reviewed the design of controls based on the COSO Internal Control Framework related to Calgary Neighbourhood's (CN) processes that support the sustainability of CAs and mitigate the risk to The City. Testing included interviews with City staff, a sample of City Councillors, review of supporting documentation and analysis.

### **INVESTIGATION: ALTERNATIVES AND ANALYSIS**

Semi-annually, CN formally reviews CAs to assess sustainability. CN developed a sustainability checklist and process (Review Process) that is used to compare the CAs to a list of best practices for financial, facility, and organizational health. Based on the results of the review, Neighbourhood Partnership Coordinators (NPCs) create work plans to provide assistance to CAs in areas where they have challenges. We reviewed the design of CN's Review Process and determined the process to identify CAs at risk and allocate resources to those CAs is effective. In terms of the internal control system, the Review Process includes the key components related to a CA's control environment, control activities and risk assessments and is designed effectively.

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Annually, Community Services reports to Audit Committee and Council on the status of CAs operating on City-owned land (Annual Status Report), and provides additional details and risk mitigation strategies for CAs that have a financial status of "Organization of Concern". The audit identified that the communication and monitoring components of the internal control system should be strengthened to support common understanding of challenges that may face specific CAs and to better equip oversight bodies in creating policy and allocating resources. The City Auditor's Office recommended the Annual Status Report be revised to direct attention to higher risk areas and include relevant information identified through the Review Process, including aging facilities, life-cycle costs and organizational health.

### **Stakeholder Engagement, Research and Communication**

This audit was conducted with Calgary Neighbourhoods Business Unit 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.

CAs are important contributors to the quality of life in our neighbourhoods. The City plays a role in contributing to their success through investment of land and resources. Specifically, CN provides a dedicated team of 24 NPCs who support CAs and perform critical risk assessment and risk mitigation work to protect The City's interest. Strengthening the City's Internal Control Framework related to reporting and monitoring risks to CA sustainability will enhance the effectiveness of The City's contribution.

### **REASONS 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**

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AC2017-0358 CALGARY NEIGHBOURHOODS' SUPPORT OF COMMUNITY ASSOCIATION  
AUDIT