

**City Auditor's Office Report to
Combined Meeting of Council
2020 July 27**

**ISC: UNRESTRICTED
C2020-0658**

Council Expense Audit

EXECUTIVE SUMMARY

In response to Notice of Motion C2020-0263, the City Auditor conducted an audit of Council expenses incurred by all Wards (excluding Ward 2) and the Mayor's Office, representing expenditures incurred in each year of the present Council's term of office. Based on the testing conducted, expenses claimed were generally in adherence to Council policy. More importantly, the audit identified systemic issues exist that require prompt resolution in order to maintain effective accountability and transparency regarding use of Council and Mayor budgets. The main systemic issues focus on enhancing policy clarity, and supporting governance processes, including independent authority to enforce and escalate policy compliance, timeliness of submission, and training and orientation to ensure expectations are consistently understood.

The report (Attachment) includes four recommendations to address the systemic issues and provide greater support to elected officials in transparency and accountability of their utilization of expense budgets and compliance with policy requirements. Recommendation 1 enhances the clarity of policy requirements, while Recommendations 2, 3 and 4 strengthen supporting governance processes: approval of expenses, timeliness of submission, and training and orientation.

The City Manager has formed a Working Group to make recommendations to Council related to addressing the governance gap that exists in some matters of Council oversight, per the direction received from Council through 2020 February 24 Notice of Motion *Closing the Governance Gap in Office of the Councillors Efforts at Public Disclosure* (C2020-0263). This Working Group will consider areas of improvement identified in this audit report regarding updating Council expense policies and associated processes. In addition, the Working Group will consider approaches to closing any additional governance gaps that have been identified. The City Manager has committed to providing an update to Council regarding action plans to address the systemic issues no later than December 31, 2020.

CITY AUDITOR RECOMMENDATION:

The City Auditor recommends that Council receive this report for the Corporate Record.

PREVIOUS COUNCIL DIRECTION / POLICY

On February 24, 2020, to demonstrate adherence to expense policies by all members of Council (including the Mayor), Council directed the City Auditor, through Notice of Motion C2020-0263, to "immediately determine and execute the best way to verify expenses for all ward council offices and Mayor's Office budget for the present Council's term in office, to identify whether individual or systemic issues exist that require further attention". This is one of four actions included in the Notice of Motion, additionally Council directed:

1. The City Auditor to conduct a forensic investigation into the Ward 2 City Councillor's expenses;
2. The Chief Financial Officer to determine and execute the best way to make all centrally disclosed expenses for Councillors and Administration publicly accessible; and
3. The City Manager to determine a better governance model for Council oversight.

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BACKGROUND

Councillors and the Mayor are expected to comply with the following expense policies:

- PAC006 Councillors' Expenses/Allowances Policy;
- PAC007 Councillors' Expenses – Out of Town Travel Policy; and
- PAC008 Office of the Councillors Expenditure Authorization Policy.

Ward budgeting and quarterly disclosure of expenses are detailed in PAC014, Budgeting and Accounting – Office of the Councillors, and additionally in section 28 and 29 of Bylaw 26M2018, "Code of Conduct for Elected Officials Bylaw". Bylaw 26M2018 also states (Section D, part 18) "A *Member* must respect and comply with all obligations imposed on the *Member* by statute or other legal enactment, and by the City's policies and procedures, including but not limited to the: (i) *Councillors' Expenses/Allowances Policy (PAC006)* (j) *Office of the Councillors Expenditure Authorization Policy (PAC008)*."

INVESTIGATION: ALTERNATIVES AND ANALYSIS

The audit was based on the Council directed scope of expenses incurred by all Wards (excluding Ward 2) and the Mayor's Office representing expenditures incurred in each year of the present Council's term of office - October 2017 to February 2020. Our comprehensive audit sample, nearly one-third of all expenses during the timeframe, included expenses charged through Corporate Credit Cards (assigned to Councillors, Ward Office staff, the Mayor, staff in the Mayor's Office and staff in the Office of the Councillors) and through Personal Expense Reimbursement. Petty cash expenses were excluded from our sample as they represented lower dollar value. Gifts and personal benefits received by the Mayor and Councillors were considered out of scope of this audit, as was disclosure of expenses through the City of Calgary's internet pages.

Each expense in our sample was examined to relevant Council policies to determine adherence to existing policies. Our audit did not assess whether any expenses incurred represented value for money.

Stakeholder Engagement, Research and Communication

After comparing the sample to relevant policies, interviews were held with each Councillor, and the Mayor to further understand expenses charged, and to obtain input on suggested improvement to governance of expenses. We additionally met with the Manager, Office of the Councillors, and Council's Ethics Advisor.

Audit Results and Recommendations

Based on the testing conducted, expenses claimed were generally in adherence to Council policy. More importantly, the audit identified systemic issues exist that require prompt resolution in order to maintain effective accountability and transparency on use of Council and Mayor budgets. The main systemic issues focus on:

- Clarity of expense policy requirements (Recommendation 1) and
- Governance processes:
 - Independent authority to approve expenses, enforce, and escalate policy compliance (Recommendation 2);
 - Timeliness of submissions (Recommendation 3); and

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- Training and orientation to ensure expectations are consistently understood (Recommendation 4).

Further details of results are in the Attachment to this report.

Strategic Alignment

The activities of the City Auditor's Office 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)

Not applicable.

Financial Capacity

Current and Future Operating Budget:

Not applicable.

Current and Future Capital Budget:

Not applicable.

Risk Assessment

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

This audit identified systematic issues specific to expense governance and related policy which if not promptly actioned could increase reputational and financial risk to Council and the City of Calgary.

REASON FOR RECOMMENDATION:

Notice of Motion C2020-0263 directed the City Auditor to "immediately determine and execute the best way to verify expenses for all ward council offices and Mayor's Office budget for the present Council's term in office, to identify whether individual or systemic issues exist that require further attention".

ATTACHMENT

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