

CONTROL ENVIRONMENT

Principle 1: Demonstrates Commitment to Integrity and Ethical Values

The organization demonstrates a commitment to integrity and ethical values.

Management's Assessment of Internal Control Principle

Present and Functioning?

YES

Points of Focus

- **Sets the Tone at the Top**—The board of directors and management at all levels of the entity demonstrate through their directives, actions, and behaviour the importance of integrity and ethical values to support the functioning of the system of internal control.
- **Establishes Standards of Conduct**—The expectations of the board of directors and senior management concerning integrity and ethical values are defined in the entity's standards of conduct and understood at all levels of the organization and by outsourced service providers and business partners.
- **Evaluates Adherence to Standards of Conduct**—Processes are in place to evaluate the performance of individuals and teams against the entity's expected standards of conduct.
- **Addresses Deviations in a Timely Manner**—Deviations of the entity's expected standards of conduct are identified and remedied in a timely and consistent manner.

Controls Applicable to Principle 1

Identification No.	Internal Control Description	Further Actions Planned
01-001	The City's Code of Conduct (the "Code") contributes to appropriate behaviours and effective controls. The Code was refreshed in 2016 and is accessible on Calgary.ca. The Code is being communicated to City employees using a blended approach, including integration into The City of Calgary Orientation (COCO) program and a corporate-wide marketing campaign during Q1 2017. The City Manager has Executive Sponsorship for the Code, with governance responsibilities delegated to the Chief Financial Officer and Chief Human Resources Officer. Updates on the Code of Conduct are presented annually to the Audit Committee.	<p>A corporate campaign to reinforce awareness of the Code of Conduct is being executed in Q1 2017.</p> <p>Human Resources will develop (Q4 2017) and implement (Q1 2018) mandatory training for employees to become familiarized with the refreshed Code of Conduct and to enhance their understanding of the policies within the Code of Conduct portfolio.</p> <p>Human Resources will continue to present the annual Code of Conduct Report to the Audit Committee.</p>
01-002	<p>City Council has an Ethical Conduct Policy for Members of Council (the "Policy") to establish and promote ethical conduct standards for Members of Council in interactions with the public, all City employees, contractors, Council staff, and all Members of Council. The Policy outlines Council members' duties pursuant to the Municipal Government Act (MGA) and other legislation such as the Freedom of Information and Protection of Privacy (FOIP) Act.</p> <p>The Policy establishes rules of conduct for Members of Council to follow, including remedial actions in the case of non-compliance. There is an annual requirement that all Councillors sign off on the Policy.</p> <p>In 2016, Council appointed: an Integrity Commissioner with a mandate of receiving, investigating, adjudicating and reporting on allegations of misconduct by Members of Council; and an Ethics Advisor with a mandate in advisory, policy, education and reporting for Members of Council.</p>	<p>As part of the overall Council Policy review process (2016-2019), the Ethical Conduct Policy for Members of Council and other related Council policies will be reviewed, updated/amended as necessary.</p> <p>The Office of the Councillors will collaborate with the newly formed Integrity and Ethics Office to ensure consistency of Council policies and messaging to Councillors.</p>
01-003	City Council has a Code of Conduct for Citizen Members Appointed to Council Established Boards, Commissions and Committees. This Code of Conduct provides minimum standards of behaviour expected of all Citizen Members appointed to Council Established Boards, Commissions and Committees.	

01-004	<p>The City has a vision statement, common purpose and behaviours to clearly reflect the essential qualities that we look for, recognize and develop in staff and leaders. The 4 C's are the essential qualities of our organization: Character, Competence, Commitment, Collaboration. These have been endorsed by the Administrative Leadership Team, and discussed with Directors and the corporate management team.</p> <p>A toolkit was developed and circulated to leaders and supervisors to support the dialogue regarding corporate culture and the 4 C's.</p> <p>In addition, the corporate employee survey has been expanded to include cultural, diversity and inclusion aspects.</p>	<p>Work is underway to update the respectful workplace, diversity and inclusion, recognition, and recruitment programs and processes, in order to further promote our vision, values and common purpose.</p>
01-005	<p>The City implemented a Whistle-blower Program in 2007. The City Auditor and the City Manager are responsible for the development, implementation and maintenance of an effective Whistle-blower Program. The Audit Committee reviews the status of the Whistle-blower Program on an annual basis.</p>	
01-006	<p>The City has a Sustainable Environmental & Ethical Procurement Policy (SEEPP), which includes a Supplier Code of Conduct. The policy represents a triple bottom line approach that requires Administration to consider the ethical, environmental, and economic aspects of purchasing goods or services.</p>	<p>The SEEPP Policy will be reviewed in 2017.</p> <p>Supply Management and Environmental & Safety Management (ESM) will continue to participate in the Municipal Collaboration for Sustainable Procurement (MCSP) network to share best practices in municipal sustainable purchasing programs.</p>

Principle 2: Exercises Oversight Responsibility		Management's Assessment of Internal Control Principle	
The board of directors demonstrates independence from management and exercises oversight of the development and performance of internal control.		Present and Functioning?	YES
Points of Focus <ul style="list-style-type: none"> Establishes Oversight Responsibilities—The board of directors identifies and accepts its oversight responsibilities in relation to established requirements and expectations. Applies Relevant Expertise—The board of directors defines, maintains, and periodically evaluates the skills and expertise needed among its members to enable them to ask probing questions of senior management and take commensurate actions. Operates Independently—The board of directors has sufficient members who are independent from management and objective in evaluations and decision making. Provides Oversight for the System of Internal Control—The board of directors retains oversight responsibility for management's design, implementation, and conduct of internal control: <ul style="list-style-type: none"> Control Environment—Establishing integrity and ethical values, oversight structures, authority and responsibility, expectations of competence, and accountability to the board. Risk Assessment—Overseeing management's assessment of risks to the achievement of objectives, including the potential impact of significant changes, fraud, and management override of internal control. Control Activities—Providing oversight to senior management in the development and performance of control activities. Information and Communication—Analyzing and discussing information relating to the entity's achievement of objectives. Monitoring Activities—Assessing and overseeing the nature and scope of monitoring activities and management's evaluation and remediation of deficiencies. 			
Controls Applicable to Principle 2			
Identification No.	Internal Control Description	Further Actions Planned	
02-001	In accordance with the Municipal Government Act, City Council functions as The City's board of directors. As a democratically elected board through the Local Authorities Election Act, it is independent from Administration.		
02-002	Over 80 boards, commissions and committees are in place to assist City Council in its governance role. Among the most important of these are the four Standing Policy Committees and the Priorities and Finance Committee. The Priorities and Finance Committee provides oversight over financial planning and reporting, corporate policy, organizational structure, governance, and other critical functions.		
02-003	Bylaw 48M2012 assigns the Audit Committee an oversight role over The City's internal control processes. The Audit Committee reviews reports from Administration regarding The City's internal control systems, policies and procedures. The Audit Committee is authorized to report and recommend to Council any actions or decisions regarding The City's internal control system that it deems appropriate. The Audit Committee reviews the Audit Committee Bylaw at least once every three years to ensure the Bylaw reflects best practices in audit governance.		
02-004	Audit Committee Bylaw 48M2012 provides Terms of Reference requiring that the three elector members be financially literate, and that at least one of them be a financial expert.		
02-005	The Audit Committee has implemented periodic reporting on risk management, control framework, internal audit, and code of conduct.		
02-006	The Audit Committee conducts an annual self-assessment reflecting industry best practices. An annual evaluation of the performance of the External Auditor is also conducted.		
02-007	The City Auditor's Office is fully independent of Administration and reports directly to the Audit Committee. It is responsible for auditing areas of The City's operations as identified in the annual plan approved by Audit Committee. Reports from these audits (including Administration response to recommendations) are presented to Audit Committee and released to the public through the Audit Committee agenda.		

02-008	On a quarterly basis, the Audit Committee receives a report from the City Auditor's Office reflecting the status of audit, advisory, and investigation activities performed over the interim period by the Office. These reports also provide an update on the status of Administration action on audit recommendations contained in previous audit reports.	
02-009	<p>Civic employees and elected officials qualify to belong to one or more multi-employer pension plans, defined-benefit pension plans and post-retirement benefit plans provided by The City. The Pension Governance Committee reports annually to the Priorities and Finance Committee (PFC) through the City Manager on pension governance activities at The City, including a report on unfunded pension liabilities and The City's contingency plans to address them.</p> <p>Unfunded liabilities are being addressed by increasing future employee and employer contribution rates, increased investment returns and interest rates, management or amendment of future liabilities, or a combination of these elements. The City includes a provision for the employer contribution rates in its budget plans.</p>	<p>The City will participate in any discussions initiated by the Government, Local Authorities Pension Plan (LAPP) and Special Forces Pension Plan (SFPP) Board or stakeholder groups regarding LAPP and SFPP and will assess any potential financial impacts to The City for these plans as well as potential impacts to The City sponsored pension plans.</p> <p>The 2016 pension governance activities report will be presented to PFC and Council in July 2017.</p> <p>The City continues to monitor unfunded pension liabilities. For The City's sponsored plans, The City has developed a plan and is taking action to fully fund these obligations.</p>

Principle 3: Establishes Structure, Authority, and Responsibility		Management's Assessment of Internal Control Principle	
Management establishes, with board oversight, structures, reporting lines, and appropriate authorities and responsibilities in the pursuit of objectives.		Present and Functioning?	YES
Points of Focus <ul style="list-style-type: none"> Considers All Structures of the Entity—Management and the board of directors consider the multiple structures used (including operating units, legal entities, geographic distribution, and outsourced service providers) to support the achievement of objectives. Establishes Reporting Lines—Management designs and evaluates lines of reporting for each entity structure to enable execution of authorities and responsibilities and flow of information to manage the activities of the entity. Defines, Assigns, and Limits Authorities and Responsibilities—Management and the board of directors delegate authority, define responsibilities, and use appropriate processes and technology to assign responsibility and segregate duties as necessary at the various levels of the organization: <ul style="list-style-type: none"> Board of Directors — Retains authority over significant decisions and reviews management's assignments and limitations of authorities and responsibilities Senior Management—Establishes directives, guidance, and control to enable management and other personnel to understand and carry out their internal control responsibilities Management—Guides and facilitates the execution of senior management directives within the entity and its subunits Personnel—Understands the entity's standard of conduct, assessed risks to objectives, and the related control activities at their respective levels of the entity, the expected information and communication flow, and monitoring activities relevant to their achievement of the objectives Outsourced Service Providers—Adheres to management's definition of the scope of authority and responsibility for all non-employees engaged 			
Controls Applicable to Principle 3			
Identification No.	Internal Control Description	Further Actions Planned	
03-001	The City Manager and Chief Financial Officer (CFO) provide representations in the annual report with regards to how their responsibilities are discharged. As part of this process, they rely on the cascading representations made within each business unit by General Managers, Directors, Finance Managers and Finance Leads. Individuals in business units have responsibility for those items that they should be reasonably aware of, given their position and responsibilities.	Senior management across the organization will continue to take ownership of managing, monitoring and updating the risks and internal controls in their areas and acknowledge this responsibility when signing the annual Management Representation Letters.	
03-002	A Management Representation Letter (MRL) Overview, Example, and Tips document is provided to all those individuals required to sign MRLs to ensure they fully understand their responsibilities and accountabilities when providing their representations. This information is posted on the Financial Reporting intranet site. This ensures that all involved parties are making informed representations about the contents of the financial statements and are accountable for their accuracy.		
03-003	The City of Calgary benefits from a defined delegated authority structure. The Municipal Government Act (MGA) outlines Councillors' duties, the Mayor's duties, and the duties of the City Manager. It also provides for the delegation of some of these duties. Some duties are delegated by way of bylaw, while others are delegated by way of delegation of authority documents.	Administration will continue refining priority areas within the Leadership Strategic Plan including strategic alignment of the organization communicated by the City Manager to support Infrastructure Calgary; Economic Resilience; Real Estate; Government Relations; and People and Culture.	
03-004	Administrative Leadership Team (ALT) membership has been increased to include the Chief Human Resources Officer, the Director of Customer Service & Communications, the Chief Information Technology Officer, the City Clerk, the City Solicitor and the Chief of Staff (CMO's office) to ensure additional participation in ALT members' deliberations about opportunities available to and risks facing the corporation.	The ALT has increased its attention to both governance and strategy with the Corporation and Council. The ALT's terms of reference are currently being revised to reflect the current membership composition in addition to re-communicating to the Corporation its role in decision-making to ensure that quality public service is delivered.	
03-005	The City's organizational structure is defined and promotes accountability throughout the Corporation. Within Administration, the responsibility to manage people and budget, known as Dept ID Ownership, is delegated through a standard process.		
03-006	The Enterprise Suite Program (PeopleSoft), which includes clear identification of DeptID and Process Owners, has further clarified authority and accountability.	The Human Capital Management (HCM) system upgrade is currently underway and will be completed in 2017.	

Principle 4: Demonstrates Commitment to Competence		Management's Assessment of Internal Control Principle	
The organization demonstrates a commitment to attract, develop, and retain competent individuals in alignment with objectives.		Present and Functioning?	YES
Points of Focus <ul style="list-style-type: none"> Establishes Policies and Practices—Policies and practices reflect expectations of competence necessary to support the achievement of objectives. Evaluates Competence and Addresses Shortcomings—The board of directors and management evaluate competence across the organization and in outsourced service providers in relation to established policies and practices, and act as necessary to address shortcomings. Attracts, Develops, and Retains Individuals—The organization provides the mentoring and training needed to attract, develop, and retain sufficient and competent personnel and outsourced service providers to support the achievement of objectives. Plans and Prepares for Succession—Senior management and the board of directors develop contingency plans for assignments of responsibility important for internal control. 			
Controls Applicable to Principle 4			
Identification No.	Internal Control Description	Further Actions Planned	
04-001	The City's Employment Policy, HR-031, sets forth The City's recruitment standards. It provides rules and processes to ensure that The City's recruitment, selection, appointment and promotion processes are of a high quality, focusing on the three principles of merit, objectivity and consistency to secure highly qualified staff.	<p>As part of the Leadership Strategic Plan, Human Resources has reviewed and is currently revising recruitment initiatives and tools to ensure a focus on, and alignment with, The City's values and behaviours. Initiatives and tools are expected to be completed by Q4 2017.</p> <p>Human Resources continues to explore innovative, cost-efficient and effective ways to recruit and source candidates and enhance recruitment processes by increasing the use of social media and other marketing tools to better reach job seekers.</p>	
04-002	The City's Compensation Policy, HR-TR-004 ("Compensation"), sets forth The City's compensation policies, including policies for evaluating positions to determine the necessary classification and compensating them accordingly. For management-exempt positions, the Compensation policy is supplemented by the Exempt Staff Policy.	The City reviews the Compensation Policy as per the policy review schedule and when specific policy provisions require changes. An annual review cycle for select policy provisions is being developed in 2017. This puts into place a systematic method of monitoring compliance and allows for issues to be identified and reviewed.	
04-003	The City has instituted a Corporate Workforce Strategy to mitigate risks related to the attraction and retention of staff. The Corporate Workforce Strategy includes plans and projects for Recruiting and Outreach, Diversity and Inclusion, Workforce Planning (including succession management) and Leadership Development, Performance Management, Career Development and Mentorship.	<p>The City will continue to promote from within as well as attract new staff to ensure that resource needs continue to be met. As well, The City will maintain its commitment to relevant professional development and certification of staff.</p> <p>The Corporate Workforce Strategy lays out action plans to address short, medium and long-term staff attraction and retention challenges that will continue to be implemented through the 2015-2018 Action Plan.</p> <p>The City will continue to lead inclusion initiatives to engage a diverse workforce that positions the organization as an employer of choice. To address Leadership Development, The City will be applying additional performance coaching techniques to improve supervisory-employee interactions and performance management.</p>	
04-004	The City has implemented a number of mentoring opportunities through the Supervisory Leadership Development Program and the Individual Contributor Development Program and has developed an online toolkit for business unit support.	Human Resources will continue to support business unit initiatives where mentorship programs are underway and identify any gaps where Corporate support is needed.	
04-005 (also refer to 14-004)	<p>Learning for Municipal Excellence (LFME) is an initiative to educate leaders and employees about their responsibilities and how these are to be discharged in various areas. Currently there are four programs: Manager Leadership Development Program, Supervisory Leadership Development Program, City Specific Development Series and Individual Contributor Development Series.</p> <p>These programs deliver learning opportunities for all groups of employees to develop the skills required for municipal excellence.</p> <p>All new Dept ID Owners receive an information package on their responsibilities.</p>	Human Resources is in the process of developing a program to develop emerging leaders (Pilot in Q3 2017, evaluation and plan for delivery Q4 2017), as well as a leader on-boarding program (Pilot in Q4 2017 and evaluation Q1-Q2 2018), to address business needs.	

Principle 5: Enforces Accountability		Management's Assessment of Internal Control Principle	
The organization holds individuals accountable for their internal control responsibilities in the pursuit of objectives.		Present and Functioning?	YES
Points of Focus <ul style="list-style-type: none"> Enforces Accountability through Structures, Authorities, and Responsibilities—Management and the board of directors establish the mechanisms to communicate and hold individuals accountable for performance of internal control responsibilities across the organization and implement corrective action as necessary. Establishes Performance Measures, Incentives, and Rewards—Management and the board of directors establish performance measures, incentives, and other rewards appropriate for responsibilities at all levels of the entity, reflecting appropriate dimensions of performance and expected standards of conduct, and considering the achievement of both short-term and longer-term objectives. Evaluates Performance Measures, Incentives, and Rewards for Ongoing Relevance—Management and the board of directors align incentives and rewards with the fulfillment of internal control responsibilities in the achievement of objectives. Considers Excessive Pressures—Management and the board of directors evaluate and adjust pressures associated with the achievement of objectives as they assign responsibilities, develop performance measures, and evaluate performance. Evaluates Performance and Rewards or Disciplines Individuals—Management and the board of directors evaluate performance of internal control responsibilities, including adherence to standards of conduct and expected levels of competence and provide rewards or exercise disciplinary action as appropriate. 			
Controls Applicable to Principle 5			
Identification No.	Internal Control Description	Further Actions Planned	
05-001	<p>The multi-year business plan and budget process identifies the accountabilities for achieving The City's strategies and plans.</p> <p>In December 2014, Council approved the 2015-2018 Business Plans and Budgets in accordance with the multi-year approach. This approach requires departments to develop plans and budgets that reflect current internal and external trends affecting The City while linking to long-term strategies and plans.</p> <p>Mid-cycle adjustments to business plans and budgets were presented and approved by Council in November 2016.</p>	2018 adjustments to business plans and budgets will be presented to Council in November 2017.	
05-002	The City's business plans and budget accountability reports establish performance measures and targets for each City department. These performance measures are linked to Council's defined directions set forth in the Action Plan. Status reports are presented to the Priorities and Finance Committee twice per year.	Reports are scheduled to go forward to Council in 2017 and 2018.	
05-003	For management exempt staff, high performance is planned for, encouraged, developed, measured and rewarded through the Exempt Performance Development Process (EPDP). The EPDP requires setting objectives aligned with, and cascading down from, Council priorities and business plans and determines key performance measures around these objectives. Individual performance in support of these objectives are reviewed and evaluated at year end to make a Pay for Performance decision.	Performance development resources and forms are being revised and will be completed by Q2 2017.	
05-004	The City's unionized staff are covered by ten collective agreements. While overall pay and benefit rates are determined through collective bargaining, it remains The City's right to exercise the regular and customary functions of management and to direct The City's workforce. This includes the ability to conduct performance reviews on an annual basis, and implement progressive discipline as part of any performance management activities that may be required. The City ensures compliance with the collective agreements and other legislative requirements and addresses challenges to collective agreements and discipline through the grievance and arbitration process.	<p>As part of the Leadership Strategic Plan, Human Resources is dedicated to reviewing and ensuring compliance with collective agreements, other legislative requirements, and the performance management process and aligning it to the Integrated Performance System.</p> <p>Human Resources will continue to work with management and the unions to support and enforce the performance management process and address challenges to collective agreements, and discipline through the grievance and arbitration process.</p>	

RISK ASSESSMENT			
Principle 6: Specifies Suitable Objectives		Management's Assessment of Internal Control Principle	
The organization specifies objectives with sufficient clarity to enable the identification and assessment of risks relating to objectives.		Present and Functioning?	YES
Points of Focus			
Operations Objectives			
<ul style="list-style-type: none">Reflects Management's Choices—Operations objectives reflect management's choices about structure, industry considerations, and performance of the entity.Considers Tolerances for Risk—Management considers the acceptable levels of variation relative to the achievement of operations objectives.Includes Operations and Financial Performance Goals—The organization reflects the desired level of operations and financial performance for the entity within operations objectives.Forms a Basis for Committing of Resources—Management uses operations objectives as a basis for allocating resources needed to attain desired operations and financial performance.			
External Financial Reporting Objectives			
<ul style="list-style-type: none">Complies with Applicable Accounting Standards—Financial reporting objectives are consistent with accounting principles suitable and available for that entity. The accounting principles selected are appropriate in the circumstances.Considers Materiality—Management considers materiality in financial statement presentation.Reflects Entity Activities—External reporting reflects the underlying transactions and events to show qualitative characteristics and assertions.			
External Non-Financial Reporting Objectives			
<ul style="list-style-type: none">Complies with Externally Established Standards and Frameworks—Management establishes objectives consistent with laws and regulations, or standards and frameworks of recognized external organizations.Considers the Required Level of Precision—Management reflects the required level of precision and accuracy suitable for user needs and as based on criteria established by third parties in non-financial reporting.Reflects Entity Activities—External reporting reflects the underlying transactions and events within a range of acceptable limits.			
Internal Reporting Objectives			
<ul style="list-style-type: none">Reflects Management's Choices—Internal reporting provides management with accurate and complete information regarding management's choices and information needed in managing the entity.Considers the Required Level of Precision—Management reflects the required level of precision and accuracy suitable for user needs in non-financial reporting objectives and materiality within financial reporting objectives.Reflects Entity Activities—Internal reporting reflects the underlying transactions and events within a range of acceptable limits.			
Compliance Objectives			
<ul style="list-style-type: none">Reflects External Laws and Regulations—Laws and regulations establish minimum standards of conduct which the entity integrates into compliance objectives.Considers Tolerances for Risk—Management considers the acceptable levels of variation relative to the achievement of compliance objectives.			
Controls Applicable to Principle 6			
Identification No.	Internal Control Description	Further Actions Planned	
06-001	<p>The City has a structured objective setting process that flows from Council priorities to departmental business plans and budgets. Council priorities guide the development and implementation of departmental business plans, and were reflected in the 2015-2018 Action Plan (business plans and budgets). Business plans and budgets include all categories of objectives mentioned in this principle.</p> <p>Council has also approved the Leadership Strategic Plan (LSP), which complements and forms part of the Action Plan and guides some specific change initiatives for how the organization will work effectively. All General Managers and Directors have signed the LSP and have committed to incorporate it into their work.</p>	Administration will continue to provide an update to Council on the Leadership Strategic Plan (LSP) twice per year.	

06-002	<p>In 2011, the Mayor and Council unanimously agreed to create the program "Transforming Government" – reinforcing a culture of constant improvement at The City of Calgary. This program improves efficiency and effectiveness by promoting citizen-centric behaviour and focusing on the ways in which The City's actions today make Calgary a better place to live.</p> <p>Projects identified as Transforming Government are focused on transparency, accountability, civic engagement, innovation, citizen orientation, and sustainability. To date, 44 programs and initiatives have been awarded the Transforming Government seal.</p>	The Mayor's Office Transforming Government Committee will review the Transforming Government program in 2017.
06-003	<p>Council has approved a program of service reviews (Zero-Based Reviews (ZBRs)) to: increase the value Calgarians get from their tax dollars by improving the efficiency, effectiveness and sustainability of services; and build the organization's capacity for continuous service improvement. As of February 2017, eight ZBRs have been completed. More than 75% of The City's gross operating expenditures will have been reviewed by the end of the 2015-2018 business cycle.</p>	Reviews are currently underway in Recreation, IT, and Law. Additional reviews of The City's internal services will be initiated over the balance of this business cycle.
06-004	<p>The City has a 10-year Long-Range Financial Plan, including projections of operating and capital revenues and expenditures, and financial goals and strategies that will move the organization towards financial sustainability in the long-term.</p>	The Long-Range Financial Plan will be maintained and revised periodically as needed.

Principle 7: Identifies and Analyzes Risk		Management's Assessment of Internal Control Principle	
The organization identifies risks to the achievement of its objectives across the entity and analyzes risks as a basis for determining how the risks should be managed.		Present and Functioning?	YES
Points of Focus <ul style="list-style-type: none"> Includes Entity, Subsidiary, Division, Operating Unit, and Functional Levels—The organization identifies and assesses risks at the entity, subsidiary, division, operating unit, and functional levels relevant to the achievement of objectives. Analyzes Internal and External Factors—Risk identification considers both internal and external factors and their impact on the achievement of objectives. Involves Appropriate Levels of Management—The organization puts into place effective risk assessment mechanisms that involve appropriate levels of management. Estimates Significance of Risks Identified—Identified risks are analyzed through a process that includes estimating the potential significance of the risk. Determines How to Respond to Risks—Risk assessment includes considering how the risk should be managed and whether to accept, avoid, reduce, or share the risk. 			
Controls Applicable to Principle 7			
Identification No.	Internal Control Description	Further Actions Planned	
07-001	<p>The City Manager is responsible for overseeing activities within Administration related to Council's Integrated Risk Management (IRM) policy. This ensures that there is a systematic approach to risk identification and management across the organization.</p> <p>As part of the policy, all presentations to Council or Committees must include disclosure of significant risks, with alternatives and the recommended course of action presented, if applicable.</p> <p>The City Manager presents an Annual Principal Corporate Risk Report to the Audit Committee. The IRM model and framework have been assessed using current CSA/ISO Standards and continue to reflect best practice.</p> <p>Information Technology (IT) presents an annual Information Technology Risk Management Report to the Audit Committee. Risk management and controls for the use of information technology are the responsibility of all levels in the organization. Jointly, IT, Corporate Security and departments manage security risks through setting and monitoring corporate policies and procedures.</p> <p>The City Solicitor provides an Annual Law Department Report to the Audit Committee and Council. The Law Department's effectiveness is directly related to the timeliness of its involvement in projects, transactions and initiatives. This report highlights initiatives intended to ensure earlier engagement with clients, and outlines The City's claims history, insurance coverage and initiatives underway in Corporate Security.</p>	<p>The City Manager, with the support of Corporate Initiatives, will continue to present the Annual Principal Corporate Risk Report to the Audit Committee.</p> <p>Information Technology will continue to present the annual Information Technology Risk Management Report to the Audit Committee, scheduled for March 2017.</p> <p>The City Solicitor's Annual Law Department Report is scheduled for the April 2017 Audit Committee meeting.</p>	
07-002	<p>A Learning for Municipal Excellence (LFME) IRM module is available to all employees to take to enhance their knowledge and understanding of The City's approach to effective risk management.</p> <p>IRM offers "Delivered to your Doorstep" seminars to help business units with the identification of risk as well as one-on-one meetings with business units who require additional assistance.</p> <p>The IRM Guides, Templates, and Tools are available on the IRM website.</p>	<p>Employees will continue to enhance their knowledge and skills in risk management.</p> <p>IRM will continue to offer services to business units to assist them in identifying and updating their risks.</p> <p>In 2017, additional support will be provided to Report Writers of Council Committee Reports to enhance the Risk Assessment section of reports.</p>	

07-003	<p>Risk management was embedded into the 2015-2018 Action Plan and risks to the business plans are monitored on a regular basis.</p> <p>The Administrative Leadership Team (ALT) requires that an updated risk register be maintained by each department which will be reviewed twice per year. Each department has developed a risk profile identifying their objectives and the risks to achieving those objectives.</p> <p>Updated Departmental Risk Registers were submitted for review and consolidation by IRM. Selected risk information was reviewed by ALT and formed the primary information basis for populating the Corporate Risk Register and the City Manager's Annual Principal Corporate Risk Report to Council.</p> <p>ALT holds twice-yearly discussions on risk. Similarly, department management teams hold twice-yearly discussions on risk, at a minimum.</p>	
07-004	<p>The Corporate Issues Management Program is housed in the Law Department. The Manager of that Program provides weekly updates to ALT members about real or potential issues facing the corporation, advice as to how to avoid or address those issues and root cause analysis intended to reduce the risk of issues emerging or reoccurring.</p>	

Principle 8: Assesses Fraud Risk		Management's Assessment of Internal Control Principle	
The organization considers the potential for fraud in assessing risks to the achievement of objectives.		Present and Functioning?	YES
Points of Focus <ul style="list-style-type: none"> Considers Various Types of Fraud—The assessment of fraud considers fraudulent reporting, possible loss of assets, and corruption resulting from the various ways that fraud and misconduct can occur. Assesses Incentive and Pressures—The assessment of fraud risk considers incentives and pressures. Assesses Opportunities—The assessment of fraud risk considers opportunities for unauthorized acquisition, use, or disposal of assets, altering of the entity's reporting records, or committing other inappropriate acts. Assesses Attitudes and Rationalizations—The assessment of fraud risk considers how management and other personnel might engage in or justify inappropriate actions. 			
Controls Applicable to Principle 8			
Identification No.	Internal control description	Further Actions Planned	
08-001	The City's Integrated Risk Management (IRM) program contains several risk categories. Under IRM, fraud risk is included as part of the financial risks to funds and budgets and, as such, is included in IRM evaluations.		
08-002	The City Auditor's Office issues an annual report that includes activity related to the Whistle-blower Program and corrective active recommendations, specific to concerns brought forward to the Whistle-blower Program.		
08-003	As part of the year-end audit process, the external auditor makes inquiries of management regarding fraud risk utilizing formalized documentation and set inquiries. According to the latest assessment, the risk of material misstatement due to fraud is considered low.		
08-004	Supply Management takes a proactive and collaborative approach to working with business units to determine a compliant approach for their procurement needs. Supply Management exercises an escalation process when potential concerns are raised. A procurement red flag process is in place to recognize and escalate procurement activities of concern. On the inventory management function, Supply Management has implemented a systematic process for cycle counting all inventory items at least once a year.		
08-005	The City has a Corporate Credit Card control process that combines clear accountabilities and authorization protocols, system-side restrictions and a risk-based audit process to ensure that the risk of fraudulent use of the Corporate Credit Card is minimized.		
08-006	Corporate Security has both internal Physical Security Sections and a Security Operation Sections dedicated to running physical security programs and enterprise security systems for The City. Corporate Security has implemented mandatory physical security standards which are integrated into all physical infrastructure projects. Threat Risk Assessments and security audits are conducted regularly on critical infrastructure. Corporate Security has implemented enterprise security systems including access control, security cameras and control of keys. These systems are monitored 24/7 from a dedicated Integrated Security Control Centre.	Please refer to Attachment 3.	
08-007	Corporate Security has identified categories of fraud and, to the extent it is resourced to do so, performs some proactive fraud queries. Data is normalized and analyzed for instances and indicators of fraud, theft and malfeasance before being referred for investigation.	Please refer to Attachment 3.	

08-008	<p>Corporate Security has an internal Investigations Section, which operates autonomously and independently of other business units, dedicated to investigating fraud, theft and malfeasance. Reports are sent to Directors of business units for action.</p> <p>Reports of incidents including fraud are made directly to Corporate Security or referred by The City's Whistleblower Line. Where investigations reveal gaps in internal controls and business processes, these are identified in the reports as recommendations.</p> <p>Corporate Security uses an incident management system to track the number of incidents, losses and recoveries. Corporate Security conducts trend analysis on incidents and investigations to direct future security operations to prevent fraud, theft and malfeasance.</p>	<p>Corporate Security is implementing an enterprise governance, risk and compliance tool to identify assets, align them with service lines and business units, track incidents relating to those assets, and track and follow up on report recommendations to improve internal controls. The system is expected to be implemented by Q4 2018.</p> <p>Corporate Security, in conjunction with HR, is expanding the use of its incident management system to track Code of Conduct policy breaches. This is being implemented as a recommendation of the KPMG report into the review of the City's Code of Conduct, and is expected to be completed by Q4 2017.</p> <p>Please also refer to Attachment 3.</p>
08-009	<p>Corporate Security conducts police criminal checks on potential employees in the pre-hiring stage for positions identified by the business units and Human Resources.</p> <p>Comprehensive vendor due diligence investigations are carried out by Corporate Security when directed by Supply or other business units.</p> <p>Corporate Security conducts police criminal checks (or receives confirmation from third party vendors) on all individual contractors.</p>	<p>Corporate Security is exploring a formalized Employee / Contractor Security Clearance and Due Diligence Program by Q4 2017 for employees and contractors and by Q2 2018 for vendors. Any decision on these programs will be made only after consulting key stakeholders, such as Human Resources and Supply Management.</p>

Principle 9: Identifies and Analyzes Significant Change		Management's Assessment of Internal Control Principle	
The organization identifies and assesses changes that could significantly impact the system of internal control.		Present and Functioning?	YES
Points of Focus <ul style="list-style-type: none"> Assesses Changes in the External Environment—The risk identification process considers changes to the regulatory, economic, and physical environment in which the entity operates. Assesses Changes in the Business Model—The organization considers the potential impacts of new business lines, dramatically altered compositions of existing business lines, acquired or divested business operations on the system of internal control, rapid growth, changing reliance on foreign geographies, and new technologies. Assesses Changes in Leadership—The organization considers changes in management and respective attitudes and philosophies on the system of internal control. 			
Controls Applicable to Principle 9			
Identification No.	Internal Control Description	Further Actions Planned	
09-001	As part of the four-year business plan and budget cycle, The City has an annual Adjustments Process intended to respond to shifts in the internal and external environment requiring changes to multi-year business plans, budgets, and performance measures.	2018 adjustments to business plans and budgets will be presented to Council in November 2017.	
09-002	Corporate Financial Reporting stays abreast of future accounting standard changes by reviewing and researching external resources to identify potential changes to accounting standards. Financial Reporting determines any process and accounting changes required to ensure The City will be compliant.		
09-003	As a part of the Chief Financial Officer's Department, Corporate Economics assist The City of Calgary in the decision making process by providing services in the area of economic forecasting, research, analysis and information on economic indicators. Through economic trends and forecasting, Corporate Economics are able to identify potential barriers or problems that could become challenges, for Calgarians or the Corporation, and then forewarn Council and Administration.		
09-004	The Corporate Tax & Regulatory Affairs (CTRA) division represents the interests of The City before regulatory agencies such as the Alberta Utilities Commission and Canadian Radio-television and Telecommunications Commission (CRTC). The Gas, Power & Telecommunications (GPT) Committee provides oversight of the activities of the CTRA. The Law Department provides legal advice to the CTRA and GPT on an as-requested basis, including for regulatory issues involving or before the CRTC. CTRA also consults with external counsel on regulatory issues at the Alberta Utilities Commission. CTRA works with other stakeholders in development of Provincial Regulatory Policies.		
09-005	The Law Department is responsible for providing legal, claims and risk management, corporate security and issues management services to the Mayor and Council, City Manager and General Managers and business units throughout the corporation. In addition, the City Solicitor is frequently consulted by the City Manager on matters of corporate strategy. All members of the Law Department are engaged in helping clients find solutions to their issues and advising on risk and risk management strategies with a view to assisting in informed decision making that takes into account the intentional acceptance or management of risk. The Department seeks early involvement in client initiatives in order to be able to assist in the on time, on budget achievement of clients' objectives while ensuring that risk for the corporation is identified and appropriately managed.	All Sections and Divisions of The Law Department recently conducted business process reviews in anticipation of the 2017 Law Department Zero-Based Review, which will assist in the Department making enhancements to its service delivery model to better meet clients' ever-changing and increasing needs. Increasingly, lawyers are being co-located with clients or project teams or are ensuring they are at clients' offices for portions of each week to ensure a better understanding of clients' business, objectives and service needs.	
09-006	As part of the risk assessment process from the City's Integrated Risk Management (IRM) framework, management reviews changes to the external and internal environment regularly.		

CONTROL ACTIVITIES

Principle 10: Selects and Develops Control Activities

The organization selects and develops control activities that contribute to the mitigation of risks to the achievement of objectives to acceptable levels.

Management's Assessment of Internal Control Principle

Present and Functioning?

YES

Points of Focus

- **Integrates with Risk Assessment**—Control activities help ensure that risk responses that address and mitigate risks are carried out.
- **Considers Entity-Specific Factors**—Management considers how the environment, complexity, nature, and scope of its operations, as well as the specific characteristics of its organization, affect the selection and development of control activities.
- **Determines Relevant Business Processes**—Management determines which relevant business processes require control activities.
- **Evaluates a Mix of Control Activity Types**—Control activities include a range and variety of controls and may include a balance of approaches to mitigate risks, considering both manual and automated controls, and preventive and detective controls.
- **Considers at What Level Activities Are Applied**—Management considers control activities at various levels in the entity.
- **Addresses Segregation of Duties**—Management segregates incompatible duties, and where such segregation is not practical management selects and develops alternative control activities.

Controls Applicable to Principle 10

Identification No.	Internal Control Description	Further Actions Planned
10-001	<p>Finance oversees the control activities that maintain the reliability and integrity of the financial reporting process.</p> <p>As part of the process to create financial statements, both internally for the twice-yearly periodics process and with more detail as part of the internal and external year-end process, Corporate Financial Reporting provides each business unit with a checklist of minimum procedural standards, including continuity schedules and special analysis for large balances, sensitive items and variances. These checklists and their supporting documentation are reviewed within the business unit and within Corporate Financial Reporting. Any needed follow-up is performed.</p> <p>Fund reconciliations, including an all funds statement reconciliation, are prepared by the business unit and reviewed by Corporate Financial Reporting.</p>	
10-002	As part of The City's Integrated Risk Management (IRM) framework, management identifies risks and puts into place control activities needed to carry out risk responses, activities, and reporting.	
10-003	The PeopleSoft Finance and Supply Chain Management Module (FSCM) includes controls, such as: Journal Approvals, Procurement Work Flow Approvals, eBill Payment Module, General Ledger Allocations functionality, and Accounts Payable Voucher Spreadsheet Upload functionality.	<p>During 2016, the Accounts Payable (AP) Workflow Project Phase 1 was implemented (ability to scan the documents). The AP Workflow Project will enable automation of manual processes, consolidate/centralize invoice processing and data access, and automate reviews and approvals. The project will be completed by Q1 2017.</p> <p>The Project Costing System module is expected to be implemented in 2017 to provide a corporate tool to track, monitor and report Tangible Capital Asset (TCA) related project costs in a consistent manner addressing TCA reporting needs as well as minimizing the manual processes.</p> <p>The PeopleSoft ERP software will be upgraded in 2016-2017. The upgrade will initially be largely technical but it is anticipated that this will create an opportunity for enhancements to the current implementation, such as new applications, additional functionality or improved integration and workflow after the upgrade is complete.</p> <p>Supply Management is reviewing delegation of authority utilizing a risk based approach. The project will be completed by Q4 2017.</p>

10-004	The City's third-party custodian and Treasury Management system supports investment and cash management controls and enhanced analytical and reporting capabilities. Administrators in these systems are able to segregate duties to users and to set limits and authorization levels. In addition, Treasury uses dual authorizations and security tokens.	The 2016 Annual Investment Report will be presented to the Audit Committee in April 2017.
10-005	<p>The City maintains financial reserves to protect The City's operations from year to year fluctuations and accommodate unique funding needs as they arise. Reserve balances are accurately recorded in accordance with Public Sector Accounting Standards on The City's financial statements.</p> <p>Reserves are reviewed on a triennial basis. For each reviewed reserve, the main purpose of the review is to ensure that:</p> <ul style="list-style-type: none"> • Reserve activity meets all authorizing document requirements; • Reserve activity is in accordance with City's reserve policies and procedures; • The reserve's purpose, conditions and/or restrictions are still relevant; and • The reserve is still required in its current form. <p>The 2016 Triennial Reserves Review Report was presented to the Priorities and Finance Committee (PFC) in December 2016.</p>	The City will continue to review every open reserve at least once every three years. The 2017 Triennial Reserves Review Report will be presented to PFC in December 2017.
10-006	<p>The City's tangible capital assets (TCA) are reported in accordance with section 3150 of the Public Sector Accounting Standards.</p> <p>Business unit management is responsible for signing-off on the recording of TCA. Where appropriate, additional controls have been put in place, including manual reliability tests of the data and reasonability tests of the value of the TCA (which are performed by the audit team and by operations staff).</p>	<p>Administration is committed to continuous improvement of TCA. Starting from 2014, the TCA project team developed and implemented several policy and process improvements impacting the reporting of machinery & equipment (2015), buildings (2016), and engineered structures (2016).</p> <p>Further progress to solidify simplified, compliant, and consistent policies and processes will occur in 2017, such as:</p> <ul style="list-style-type: none"> • Update to TCA reporting policies for land improvements, land, and vehicles; • Refinement of internal processes to allow for proactive identification of TCA; • Implementation of the TCA Costing system to track, monitor, and report TCA; and • Creation of a new corporate TCA team to sustain current and past TCA initiatives, as well as aid business units to prepare information for TCA reporting purposes.
10-007	As a merchant that accepts credit card payments from the public for the purchase of specified goods and services, The City adheres to the worldwide Payment (credit) Card Industry Data Security Standards (PCI-DSS). These standards are intended to ensure The City is applying industry best practices to ensure that our customers' credit card information obtained during routine transactions remains secure at all times. All City staff who handle credit cards from the public receive training and have acknowledged that they have read and understood the PCI policy. Annual reviews are done with business units to ensure proper procedures are followed.	<p>Secure Credit Card handling eLearning will continue to be made available to all employees.</p> <p>PCI compliance internal audits will be undertaken with business units that handle credit card processing and information.</p> <p>An audit is undertaken each year by a third party external PCI auditor retained by The City. The City first achieved its inaugural PCI Compliance in 2011 and every year since. The City passed its 2016 audit and received compliance certification in December 2016. Continued updating of hardware, software and business and technical documentation will maintain compliance.</p>
10-008	The Corporate Credit Card is an efficient and effective method of making low dollar purchases. All cardholders take mandatory training to ensure that they understand their responsibilities as well as the applicable policies and procedures.	The Corporate Credit Card Policy, Supporting Procedures, processes and training will continue to be updated as required.

Principle 11: Selects and Develops General Controls over Technology		Management's Assessment of Internal Control Principle	
The organization selects and develops general control activities over technology to support the achievement of objectives.		Present and Functioning?	YES
Points of Focus <ul style="list-style-type: none"> Determines Dependency between the Use of Technology in Business Processes and Technology General Controls—Management understands and determines the dependency and linkage between business processes, automated control activities, and technology general controls. Establishes Relevant Technology Infrastructure Control Activities—Management selects and develops control activities over the technology infrastructure, which are designed and implemented to help ensure the completeness, accuracy, and availability of technology processing. Establishes Relevant Security Management Process Control Activities—Management selects and develops control activities that are designed and implemented to restrict technology access rights to authorized users commensurate with their job responsibilities and to protect the entity's assets from external threats. Establishes Relevant Technology Acquisition, Development, and Maintenance Process Control Activities—Management selects and develops control activities over the acquisition, development, and maintenance of technology and its infrastructure to achieve management's objectives. 			
Controls Applicable to Principle 11			
Identification No.	Internal Control Description	Further Actions Planned	
11-001	<p>The City has a formal information technology governance model in place. The Chief Information Technology Officer works with the Administrative Leadership Team (ALT) and the Corporate Technology Committee (CTC) to set and implement corporate information technology strategies and standards, and provide annual ALT reporting on technology governance.</p> <p>The CTC is responsible for approving the City Technology Plan and Enterprise Platform, in line with corporate business technology strategies. The CTC also advises on corporate issues related to business technology direction.</p> <p>The IT Account Manager (ITAM) role is responsible for interfacing between IT and the business to understand business needs. IT has documented key business cycles at The City. Information Technology Service Management (ITSM), utilizing the Information Technology Infrastructure Library (ITIL) framework, has been used to identify, document, and implement technology service management with assigned process managers and process owners. IT relies on several documented methodologies for project management and system development.</p> <p>IT has a formalized change management process, with a daily review of planned changes. Critical environments have been configured with logging functionality and logs are reviewed regularly.</p>	<p>During this business cycle, IT will define and mature its enterprise portfolio and enterprise platform architectures. It is anticipated that the revised governance model will be implemented by 2018.</p> <p>As part of the recommendations of the HCM Application Security Audit (2013), new technology will be applied as part of the HCM Upgrade project. Estimated completion for this upgrade is Q3 2017.</p>	
11-002	<p>IT has documented its business continuity plans, which include a discussion of dependencies between business processes and technology resources as well as a list of infrastructure components and applications required to support essential services, developed alongside the Calgary Emergency Management Agency (CEMA) and City business units.</p> <p>IT has documented policies, procedures and practices for data and file back-up and recovery, crisis management, and service resiliency. Dashboards have been created to monitor system availability for most infrastructure systems.</p> <p>IT plans, designs, implements, and maintains resiliency in key parts of The City's technology infrastructure to avoid single points of failure.</p>	<p>Business plans articulate IT will be maturing its practices, process, infrastructure and policies to ensure long-term growth, availability management and sustainment of City technology infrastructure to meet current and future technology needs; supporting business continuity and business resiliency for the Corporation; supporting the forecasted exponential growth in connectivity requirements across the city; and ensuring cost avoidance and IT sustainability.</p> <p>As part of the Service Resiliency project, IT is implementing technology that will enable essential systems to automatically re-start at a second site if the primary site experiences a facility failure. The project is expected to be completed by Q4 2018.</p> <p>IT will be going to market for a Proactive Application Monitoring tool in 2017.</p> <p>The IT Management Team will be reviewing the business continuity plan in March 2017.</p>	
11-003	The Acceptable Use of City Technology Resources Policy outlines an employee's responsibility for using City technology resources. The policy is a foundational policy of The City's Code of Conduct.		

11-004	<p>Acquisition of business systems follows The City's approved governance for technology investment processes and practices. Intake for new acquisitions come from: business cases initiated for business units by IT Account Managers; IT Service Desk requests (Remedy); IT Vendor Management; and Supply (when staff direct purchase a system or infrastructure item).</p> <p>When selecting technology solutions, hardware or software, IT leverages research and analysis work undertaken by in-house subject-matter-experts' industry knowledge; vendor product roadmaps; industry partners; architectural and technical roadmaps; and, technology research firms.</p> <p>Projects in Information Technology are managed according to the IT Project Management Methodology maintained by the IT Project Management Office (PMO) and the Software Solutions Methodology maintained by Client Solutions.</p> <p>The IT PMO conducts Project Health Checks on all projects that are managed by IT resources. The results of these reviews are reported to the project managers and their direct supervisors. Larger Level 3 projects are also subject to the additional rigour of Corporate Project Management Framework (CPMF) Project Management Quality Assurance assessments.</p> <p>Maintenance & Sustainment of systems is prioritized with the business and managed by IT's Application Portfolio Management (APM) practices.</p> <p>IT has an asset management program for software and hardware, based on industry best practices and enterprise asset management.</p>	<p>The next version of The City's service management tool will help improve asset inventory capabilities. The estimated timeline for this initiative is Q4 2018.</p>
11-005	<p>Corporate Security has introduced an interim Information Security Policy.</p> <p>Corporate Security has implemented an Information Security program including Compliance & Architecture, Security Operations and Incident Response Sections.</p> <p>Information Security is identified as a stakeholder for all projects reviewed through the Corporate Technology Committee and the IT Project Board. Information Security Standards mandate specific security architecture, logging and monitoring be built into all new and existing information technology.</p>	<p>A combined Information Management and Security Policy is anticipated to be approved in May 2017.</p> <p>IT and Corporate Security are reviewing the IT project intake process as part of their Zero-Based Reviews. This review is expected to be completed by Q4 2018.</p>
11-006	<p>Corporate Security has implemented network and firewall compliance tools and testing across the IT Enterprise, with an established process to remediate identified non-compliance. These are measured against industry and best practice standards.</p> <p>Corporate Security conducts regular vulnerability scans, with an established process to patch identified vulnerabilities. A corporate cyber security threat risk assessment is conducted annually by a third party auditor. Further threat risk assessments are conducted for critical applications and segmented networks.</p> <p>Corporate Security has implemented a Security and Event Monitoring and analytics solution across the IT Enterprise. This includes third party monitoring 24/7, and internal incident and event triage and response.</p> <p>Corporate Security has implemented a suite of enterprise cyber response systems and procedures that align with IT's Crisis Management Plan. An enterprise forensic suite has been implemented.</p>	<p>Corporate Security continues to work with IT to identify application and system logs for inclusion into the Security and Event Monitoring solution.</p> <p>Corporate Security will be implementing an e-discovery module onto the existing forensic suite in Q2 2017.</p> <p>Please also refer to Attachment 3.</p>

11-007	<p>Access rights for new hires and deprovisioning of existing employees is managed by Identity Management practices and policies. Access rights are managed using Active Directory, which works in concert with the PeopleSoft Human Capital Management System for internal access rights, such as with DeptID Owners.</p> <p>Corporate Security and IT have a password standard which requires passwords to be changed on a periodic basis and specifies minimum password length and characters.</p>	Please refer to Attachment 3.
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Principle 12: Deploys through Policies and Procedures		Management's Assessment of Internal Control Principle	
The organization deploys control activities through policies that establish what is expected and procedures that put policies into action.		Present and Functioning?	YES
Points of Focus <ul style="list-style-type: none"> Establishes Policies and Procedures to Support Deployment of Management's Directives—Management establishes control activities that are built into business processes and employees' day-to-day activities through policies establishing what is expected and relevant procedures specifying actions. Establishes Responsibility and Accountability for Executing Policies and Procedures—Management establishes responsibility and accountability for control activities with management (or other designated personnel) of the business unit or function in which the relevant risks reside. Performs in a Timely Manner—Responsible personnel perform control activities in a timely manner as defined by the policies and procedures. Takes Corrective Action—Responsible personnel investigate and act on matters identified as a result of executing control activities. Performs Using Competent Personnel—Competent personnel with sufficient authority perform control activities with diligence and continuing focus. Reassesses Policies and Procedures—Management periodically reviews control activities to determine their continued relevance, and refreshes them when necessary. 			
Controls Applicable to Principle 12			
Identification No.	Internal Control Description	Further Actions Planned	
12-001	<p>The City's administration policies are one method of embedding controls within business processes and communicating them to employees. The City currently has 92 administration policies, many of which are supported by formalized procedures. Each policy is owned by a Department/Business Unit that are responsible for implementing and monitoring their policy.</p> <p>Policies continue to be updated and created to support the control environment and guide staff actions. Administrative policies are centralized in the City Manager's Office (CMO) Administration Policy Library, which both stresses the importance of policies to the organization and allows easy access to those policies.</p>	<p>The CMO will continue to coordinate the effort to update all Administration policies across the Corporation.</p> <p>The CMO will continually monitor the Administration Policy Library to find opportunities of policy alignment and efficiencies to ensure that policies are meeting the needs of various audiences in an easy to understand format.</p> <p>Finance will continue to complete work related to outstanding audit recommendations from the City Auditor's Office.</p>	
12-002	The Supply Management procurement policies reflect The City's interprovincial trade obligations with respect to New West Partnership Trade Agreement (NWPTA) and the Agreement on Internal Trade (AIT). Supply Management utilizes standard operating procedures and has implemented standard templates for Requests for Proposals.	Supply is engaged in the process of reviewing and amalgamating its suite of procurement policies as part of a three-year policy review process. As part of this review, Supply plans to assess changes to external standards for AIT and Canada-European Union Comprehensive Economic Trade Agreement (CETA) and implement any necessary policy changes.	
12-003	Council adopts Council policies to promote governance and ensure consistent and transparent provision and operation of services, programs and facilities that are either necessary or desirable for The City of Calgary. The City has a suite of Council policies that are individually owned by Departments/Business Units. The administration and management of the policy program is the responsibility of the City Clerk's Office. Council policies undergo a formal review every four years to determine relevance and alignment with Council's objectives, priorities and resolutions.	Over the next three years, policy owners will be delivering on the Council policy work timeline established as a result of the 2016 Formal Council Policy Review. The City Clerk's Office will deliver Council Policy Sessions for policy owners in 2017 through 2019 to educate them about the Council Policy Framework and facilitate the review process.	

INFORMATION AND COMMUNICATION

Principle 13: Uses Relevant Information

The organization obtains or generates and uses relevant, quality information to support the functioning of internal control.

Management's Assessment of Internal Control Principle

Present and Functioning?

YES

Points of Focus

- **Identifies Information Requirements**—A process is in place to identify the information required and expected to support the functioning of the other components of internal control and the achievement of the entity's objectives.
- **Captures Internal and External Sources of Data**—Information systems capture internal and external sources of data.
- **Processes Relevant Data into Information**—Information systems process and transform relevant data into information.
- **Maintains Quality throughout Processing**—Information systems produce information that is timely, current, accurate, complete, accessible, protected, and verifiable and retained. Information is reviewed to assess its relevance in supporting the internal control components.
- **Considers Costs and Benefits**—The nature, quantity, and precision of information communicated are commensurate with and support the achievement of objectives.

Controls Applicable to Principle 13

Identification No.	Internal Control Description	Further Actions Planned
13-001	The City has a structured and regular method of reporting financial information that provides Council and Management with the appropriate level of information on a timely basis. This information is linked to the objectives and therefore is used to assess organizational performance.	Administration will ensure that Council and Management continue to receive the necessary reports and information to make decisions.
13-002	The City utilizes the PeopleSoft Enterprise Resource Planning (ERP) software suite, a system that centralizes financial management, supply chain management, and human capital management at The City. PeopleSoft maintains information quality through built-in controls.	<p>The PeopleSoft ERP software will be upgraded in 2016-2017. The upgrade will initially be largely technical but it is anticipated that this will create an opportunity for enhancements to the current implementation, such as new applications, additional functionality or improved integration and workflow after the upgrade is completed.</p> <p>Hyperion planning and budgeting module implementation is underway with completion by Q1 2018. The system will support planning and budgeting processes to be used to build the 2019-2022 four year budget.</p> <p>The TCA Costing module is expected to be implemented in 2017.</p>
13-003	<p>The City's Records Management Bylaw 53M99 mandates that the objective of the Records Management Program is to ensure The City is able to provide, protect and preserve its records in order to meet operational, legal, fiscal and archival requirements.</p> <p>In addition, The City maintains a number of information and records management policies, which serve to protect the quality and security of information produced and utilized by The City.</p>	
13-004	<p>The Information Governance Policy (IM-IT-003), alongside the Council Transparency and Accountability Policy (CC039), establishes City information as a key, corporately-owned asset, to be governed and managed accordingly throughout its lifecycle in a manner that enables open, accountable, and participatory government.</p> <p>An Information Management and Security Governance Committee has oversight responsibilities for all programs concerned with governance of corporately-owned information assets, including information management, intellectual property management and external data access management.</p>	<p>Because the volume of information at The City is growing exponentially, many challenges are being experienced, especially with record discovery, storage and retention. Over the 2015-2018 business cycle, The Corporation is expanding its enterprise document and electronic records management system to deal with these issues as well as help reduce legal, financial and reputation risk, while maximizing the value of The City's information assets. This work is being undertaken in a partnership initiative between City Clerks and IT.</p> <p>The Information Governance Policy (IM-IT-003) has been revised and is the process of being reviewed. The new policy will be called the Information Management and Security Policy and is expected to be approved in Q2 2017.</p>

Principle 14: Communicates Internally		Management's Assessment of Internal Control Principle	
The organization internally communicates information, including objectives and responsibilities for internal control, necessary to support the functioning of internal control.		Present and Functioning?	YES
Points of Focus <ul style="list-style-type: none"> Communicates Internal Control Information—A process is in place to communicate required information to enable all personnel to understand and carry out their internal control responsibilities. Communicates with the Board of Directors—Communication exists between management and the board of directors so that both have information needed to fulfill their roles with respect to the entity's objectives. Provides Separate Communication Lines—Separate communication channels, such as whistle-blower hotlines, are in place and serve as fail-safe mechanisms to enable anonymous or confidential communication when normal channels are inoperative or ineffective. Selects Relevant Method of Communication—The method of communication considers the timing, audience, and nature of the information. 			
Controls Applicable to Principle 14			
Identification No.	Internal Control Description	Further Actions Planned	
14-001	<p>The City's intranet is used effectively to communicate control information. The "myCity" website, which receives approximately 13,000 visits on an average working day, provides an easily accessible location for City staff to review corporate policies, procedures, internal updates and other pertinent information.</p> <p>Business units have also updated their profiles and have frequently asked questions addressed on their web pages. Weekly electronic newsletters, such as Take Five, provide timely reminders on key issues.</p>	A myCity update project is underway, which will extend access to all employees, including field staff. It will facilitate serving unique content to employees based on their unique context, such as their business unit or location. This update is expected to be completed by the end of 2018.	
14-002	The City Manager's Office Administration Policy Library on the myCity intranet site is a central repository for all current City administration policies. This allows City staff to access this information in a convenient format from anywhere in The City that computer access is available, as well as through the Citrix system. The general public can access the Administration Policy Library through www.calgary.ca .	Refer to 12-001 for further actions planned.	
14-003	<p>Council implemented the Whistle-blower Policy in 2007 and the corresponding program, where employees and the public can report waste and/or wrongdoing confidentially and can choose to report anonymously if desired.</p> <p>Information on the program can be found on The City's website.</p>		
14-004 (also refer to 04-005)	<p>Learning for Municipal Excellence (LFME) is an initiative to educate leaders and employees about their responsibilities and how these are to be discharged in various areas. Currently there are four programs: Manager Leadership Development Program, Supervisory Leadership Development Program, City Specific Development Series and Individual Contributor Development Series.</p> <p>These programs deliver learning opportunities for all groups of employees to develop the skills required for municipal excellence.</p> <p>All new Dept ID Owners receive an information package on their responsibilities.</p>	<p>In coordination with employee development plans, employees and leaders will continue to be encouraged to take the applicable LFME program and modules.</p> <p>Human Resources will continue to partner with business units to ensure that the program meets business needs.</p> <p>As part of the Leadership Strategic Plan, Human Resources is supporting a leadership learning and development program for the Senior Management Team.</p>	
14-005	The City of Calgary Orientation (COCO) program was launched in November 2009 for new employees. COCO is available online or in a classroom setting and is presented in six themes: Who We Are; What We Do; How We Work; What We Give; What You Give; and Finding Your Way. The modules offer a comprehensive view of The City to new employees including the key elements that govern our actions including the Code of Conduct.	COCO continues to be updated and provided to staff new to The City at regular intervals.	
14-006	A series of internal control awareness sessions (internal controls, financial reporting, tangible capital assets, etc.) have been developed for Finance staff and are available on myCity. Internal control awareness sessions are continually updated and provided to staff.		

Principle 15: Communicates Externally		Management's Assessment of Internal Control Principle	
The organization communicates with external parties regarding matters affecting the functioning of internal control.		Present and Functioning?	YES
Points of Focus <ul style="list-style-type: none"> Communicates to External Parties—Processes are in place to communicate relevant and timely information to external parties including shareholders, partners, owners, regulators, customers, and financial analysts and other external parties. Enables Inbound Communications—Open communication channels allow input from customers, consumers, suppliers, external auditors, regulators, financial analysts, and others, providing management and the board of directors with relevant information. Communicates with the Board of Directors—Relevant information resulting from assessments conducted by external parties is communicated to the board of directors. Provides Separate Communication Lines—Separate communication channels, such as whistle-blower hotlines, are in place and serve as fail-safe mechanisms to enable anonymous or confidential communication when normal channels are inoperative or ineffective. Selects Relevant Method of Communication—The method of communication considers the timing, audience, and nature of the communication and legal, regulatory, and fiduciary requirements and expectations. 			
Controls Applicable to Principle 15			
Identification No.	Internal Control Description	Further Actions Planned	
15-001	<p>During the 2015-2018 Action Plan process, the citizens of Calgary were invited to participate in discussions to identify their priorities for the City. Over 25,000 people participated in this process. A smaller-scale citizen "check in" for the mid-cycle adjustments to Action Plan was completed during 2016. In addition, public submissions were accepted as part of the Council deliberations.</p> <p>Mid-Year and Year-End Accountability Reports and adjustments are available online.</p>		
15-002	Refer to 14-003 in regards to the Whistle-blower Program's functionality for members of the public, contractors and other external parties.		
15-003	As a democratically governed organization, citizens can contact members of City Council. Each Councillor has an individual website, and maintains accessibility to the public through community liaisons. In addition, individual Councillors' offices regularly keep in touch with their constituents via social media, community-based newsletters and other forms of communications.	<p>During an election year, additional steps are taken by the Office of the Councillors to ensure proper procedures are followed during the campaign period to ensure there is distinction between the Councillor's role as a ward representative on Council and the Councillor's campaigning role.</p> <p>The Ethics Advisor is an additional resource the Councillors can use in order to ensure that communications and activities are aligned with the regulations, as noted in the Local Authorities Act, Municipal Government Act and the City's Procedural Bylaw.</p>	
15-004	The City's 3-1-1 Call Centre operates as a single point of contact between citizens and The City, allowing for the efficient intake of information to highlight potential service issues. In 2016, citizens used their ability to contact The City anytime, anywhere to make over one million calls and submit over 80,000 electronic self-service requests.		
15-005	<p>The City's external website, calgary.ca, is a tool for stakeholder communications. As the vast majority of Calgary's general population has Internet access at home, The City's Internet presence allows citizens to quickly and efficiently retrieve data on matters of municipal importance. The calgary.ca website received over 19 million visits and nearly 72 million page views in 2016.</p> <p>The City's Internet site also allows The City to effectively communicate relevant and timely information to external stakeholders.</p>		
15-006	The Freedom of Information and Protection of Privacy (FOIP) Program ensures the provisions of the FOIP Act are adhered to, and promotes proactive disclosure of information. The public may request information from The City through a FOIP request.		

15-007	Meetings of Council and its Committees, including of the Priorities and Finance Committee and the Audit Committee, are open to public attendance except where the FOIP Act allows for in camera proceedings under defined legislative exceptions to disclosure. All public proceedings of Council and Standing Policy Committees, as well as Audit and Priorities and Finance, are broadcast on cable TV and streamed online.	
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MONITORING ACTIVITIES

Principle 16: Conducts Ongoing and/or Separate Evaluations

The organization selects, develops, and performs ongoing and/or separate evaluations to ascertain whether the components of internal control are present and functioning.

Management's Assessment of Internal Control Principle

Present and Functioning?

YES

Points of Focus

- Considers a Mix of Ongoing and Separate Evaluations—Management includes a balance of ongoing and separate evaluations.
- Considers Rate of Change—Management considers the rate of change in business and business processes when selecting and developing ongoing and separate evaluations.
- Establishes Baseline Understanding—The design and current state of an internal control system are used to establish a baseline for ongoing and separate evaluations.
- Uses Knowledgeable Personnel—Evaluators performing ongoing and separate evaluations have sufficient knowledge to understand what is being evaluated.
- Integrates with Business Processes—Ongoing evaluations are built into the business processes and adjust to changing conditions.
- Adjusts Scope and Frequency—Management varies the scope and frequency of separate evaluations depending on risk.
- Objectively Evaluates—Separate evaluations are performed periodically to provide objective feedback.

Controls Applicable to Principle 16

Identification No.	Internal Control Description	Further Actions Planned
16-001	Finance oversees the control activities that maintain the reliability and integrity of the financial reporting process.	Finance managers and leaders will continue to oversee the internal controls over financial reporting as well as other internal control and risk management activities.
16-002	The annual Control Environment Assessment Report assists in establishing a baseline understanding of The City's internal control system as a whole as assessed by management, and is updated annually and provided to the Audit Committee.	
16-003	The City benefits from reviews of various financial information at all levels of the Corporation. Monthly reviews by management of financial results to budget numbers help ensure that The City remains on track with its established financial objectives. Mid-year and year-end accountability reports and budget revision reports to Council have been implemented as part of the Multi-year Business Plan and Budget process. Further, reviews of system generated exception reports in many business units also ensure regular monitoring of financial information.	Monthly EIR reviews are ongoing. Mid-year and year-end accountability reports in addition to capital and operating budget revision reports will be prepared for Council approval. Management will continually monitor risks and the effectiveness of the related internal controls and take appropriate action where necessary.
16-004	Supply Management has established a Performance Quality Management Team that runs monthly and quarterly reports and performs quality reviews of procurement files. An annual schedule of reporting and file reviews is developed and the program is sustained as part of business management systems within Supply Management.	
16-005	The City Auditor's Office, which is fully independent of Administration and reports directly to the Audit Committee, conducts risk-based audits areas of The City's operations as identified in the annual plan approved by the Audit Committee.	Management will continue to receive and respond to reports from the City Auditor's office and to track and implement all appropriate recommendations.
16-006	The annual external audit provides additional feedback on the Corporation's system of internal controls through a Management Letter.	The annual external audit will continue to provide feedback on the effectiveness of The City's internal controls over financial reporting through the Management Letter process.
16-007	The City of Calgary undergoes independent external audits and reviews around certain of its processes and controls. One of the most in-depth of these is the annual Payment Card Industry (PCI) audit of data security practices for credit card payments.	

Principle 17: Evaluates and Communicates Deficiencies		Management's Assessment of Internal Control Principle	
The organization evaluates and communicates internal control deficiencies in a timely manner to those parties responsible for taking corrective action, including senior management and the board of directors, as appropriate.		Present and Functioning?	YES
Points of Focus <ul style="list-style-type: none"> Assesses Results—Management and the board of directors, as appropriate, assess results of ongoing and separate evaluations. Communicates Deficiencies—Deficiencies are communicated to parties responsible for taking corrective action and to senior management and the board of directors, as appropriate. Monitors Corrective Actions—Management tracks whether deficiencies are remediated on a timely basis. 			
Controls Applicable to Principle 17			
Identification No.	Internal Control Description	Further Actions Planned	
17-001	Management is required to provide responses to the internal audit recommendations made by the City Auditor's Office and to provide timely delivery on agreed upon corrective action plans. The City Auditor's Office provides ongoing tracking and follow-up to validate implementation and reports results quarterly to the Audit Committee.	Management will continue to track and address the recommendations of all internal audits.	
17-002	The annual Management Letter provided by The City's external auditor is reviewed by Corporate Financial Reporting, which works in conjunction with City Administration to address and remediate identified issues and to implement any recommendations.	Management will continue to track and address the recommendations of all Management Letter points.	