

Opportunity Calgary Investment Fund Administration Audit

EXECUTIVE SUMMARY

The City Auditor's Office issued the Opportunity Calgary Investment Fund Administration Audit Report to Opportunity Calgary Investment Fund Ltd. (OCIF) on July 14, 2020. The audit focused on the effectiveness of fund administration processes by evaluating the design and operating effectiveness of key process controls that mitigate significant financial and reputational risks. We raised five recommendations to improve the consistency and transparency of OCIF's evolving fund administration processes. OCIF management agreed with all recommendations and committed to the implementation of action plans no later than May 31, 2020. The City Auditor's Office will track the implementation of these commitments as part of our ongoing follow-up process.

CITY AUDITOR'S RECOMMENDATIONS

1. That Audit Committee receive this report for the Corporate Record; and
2. That Audit Committee recommend that Council receive this report for the Corporate Record.

RECOMMENDATION OF THE AUDIT COMMITTEE, 2020 JULY 23:

That Council receive this report for the Corporate Record.

PREVIOUS COUNCIL DIRECTION / POLICY

Bylaw 30M2004 (as amended) established the position of City Auditor and the powers, duties and functions of the position. Under the City Auditor's Office Charter, the City Auditor presents an annual risk-based audit plan to Audit Committee for approval. The City Auditor's Office Revised 2020 Audit Plan was approved on October 24, 2019. The City Auditor is accountable to Council and subject to the oversight of Audit Committee under Bylaw 48M2012 (as amended).

BACKGROUND

In 2017, in response to prolonged economic challenges, Council approved the establishment of a \$100M Opportunity Calgary Investment Fund (OCIF Reserve) from The City of Calgary's (The City's) reserves. The OCIF Reserve is intended to support projects that will stimulate growth in targeted sectors of Calgary's economy, and serve as a catalyst for economic growth, diversification, and increased employment. In 2018, Council approved the creation of OCIF, a wholly-owned subsidiary of The City, to administer the OCIF Reserve. OCIF's mandate, as stated in the Operating and Funding Agreement with The City, is to manage the OCIF Reserve effectively to encourage economic recovery and growth, help reduce the impact of the economic downturn on Calgary's citizens and businesses, and capitalize on new opportunities. As at December 31, 2019, OCIF received 217 ideas, granted funding for nine projects with a total value of \$23.5M, and disbursed funding of \$7.05M.

The objectives of this audit were to assess the alignment of OCIF's fund administration process to requirements established in the Operating and Funding Agreement and OCIF Reserve goals, and the effectiveness of process controls to mitigate the significant reputational and financial risk that could impact the achievement of OCIF's mandate.

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INVESTIGATION: ALTERNATIVES AND ANALYSIS

Based on our review across all five phases of OCIF's fund administration process, current process controls were aligned to OCIF Reserve goals. We concluded existing process controls were operating as designed within three (business case submission, contribution agreement and fund disbursement) of the five phases of the process.

Recommendations included process improvements through increased use of quantifiable scoring parameters and consistent document management of key decisions in Phase 1 (project idea submission), as well as additional governance controls to manage potential conflicts of interest.

Process controls within Phase 5 (monitoring and reporting) were designed effectively, however, given final reports had not been submitted, we could not conclude on operating effectiveness. We encouraged OCIF management to periodically assess the effectiveness of the OCIF team's process to monitor and report on the achievement of objectives and expected benefits specified in contribution agreements.

Stakeholder Engagement, Research and Communication

This audit was conducted with the OCIF team acting as the principal audit contact. The OCIF team includes OCIF and Calgary Economic Development (CED) staff since OCIF entered into an administrative services and fund management agreement with CED to administer the intake and review of applications.

Strategic Alignment

Audit reports assist Council in its oversight of the City Manager's administration and accountability for stewardship over public funds and achievement on value for money in City operations.

Social, Environmental, Economic (External)

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 serve to promote accountability, mitigate risk, and support an effective governance structure.

This audit was undertaken as part of the City Auditor's Office Revised 2020 Annual Audit Plan to provide assurance on the effectiveness of the fund administration process to facilitate decision making regarding utilization of the \$100M OCIF Reserve.

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REASONS FOR RECOMMENDATIONS

Bylaw 48M2012 (as amended) states: "Audit Committee receives directly from the City Auditor any individual audit report and forwards these to Council for information."

ATTACHMENTS

1. Opportunity Calgary Investment Fund Administration Audit Report
2. Opportunity Calgary Investment Fund Administration Audit Presentation Slides