

City Auditor's Office 2020 Annual Report



Calgary

City Auditor's Office

Message from the City Auditor

This report provides a summary of our 2020 deliverables as an effective, independent, and objective City Auditor's Office (CAO) that is accountable to Audit Committee and Council. Following the spread of the COVID-19 virus and initiation of the State of Local Emergency early in 2020, the CAO remained agile and pivoted to deliver audit, advisory, and whistle-blower services in a virtual environment via remote working.

We reassessed our planned 2020 audits to ensure that we continued to focus audit resources on audit topics of higher risk while maintaining the safety of staff and supporting Administration's priority of continuing to deliver services during the State of Local Emergency. We also adjusted our processes so that, despite the challenges posed by delivering services in a virtual environment, we could continue to be responsive in responding to Whistle-blower Program (WBP) reports and requests for advisory services.

We are proud of the value we provided to Administration and to Audit Committee and Council against the backdrop of the global pandemic. The focus of our work is always on supporting the achievement of The City of Calgary's (The City's) objectives through risk reduction and mitigation. Our team of experienced, professional, qualified staff identified 46 recommendations through the delivery of audits, advisory projects, and investigations. Our ongoing follow-up and monitoring to support the timely implementation of 62 management action plans reduced high and medium risk exposures facing The City.

We contributed to The City's response to budget challenges during the pandemic by intentionally postponing recruitment to fill a vacant senior auditor position, and plan in 2021 to return to full capacity. To further support our resilience, as we move into 2021 we are continuing our transition to the upgraded version of our audit software, and completing both the procurement of an organization to provide contract audit services on an 'as needed' basis and an organization to provide intake services for the WBP.

Our commitment to the quality and reliability of our work remains absolute. During 2020, we delivered our audit and advisory services in conformance with the Institute of



Internal Auditors (IIA) Professional Standards.

Despite the challenges posed by delivering audits in a virtual environment, our client satisfaction rating remained well above target at 98%, in line with previous years. As we move into 2021 we will prepare for our next external assessment in early 2022, which we expect will confirm on-going conformance, and support our commitment to continuous improvement. At the end of 2020, a one-of-a-kind external assessment of the WBP processes, conducted by experts in the field of workplace investigations, was underway and is scheduled to be completed in Q2 2021.

The CAO is recognized as a critical service to support the citizen priority of a Well-Run City. The pages that follow in this report provide our 2020 results against accountability performance measures as established in the One Calgary 2019-2022 Service Plans and Budgets. These results are described under our four underpinning values of:

- Responsiveness;
- Risk Reduction;
- Reliability; and
- Resilience.

If you would like to learn more about our activities and/or access audit reports issued over the past year, please visit our webpage at www.calgary.ca/auditor.

A handwritten signature in blue ink that reads "Liz Ormsby". The signature is fluid and cursive.

Liz Ormsby, ACA, CIA, CFE, CAPM
Acting City Auditor

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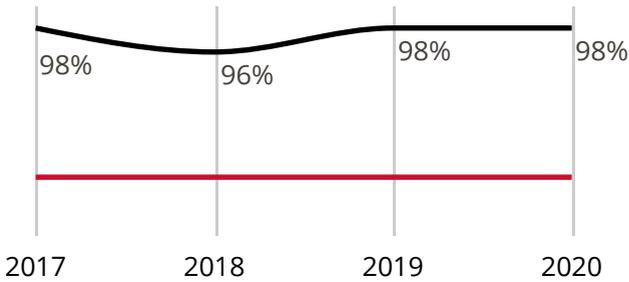
1.0 One Calgary Accountability



The CAO will continue to track our five performance measures as stated in the One Calgary 2019-2022 Service Plans and Budgets. These performance measures align to our guiding principles of Responsiveness, Risk Reduction, Reliability and Resilience.



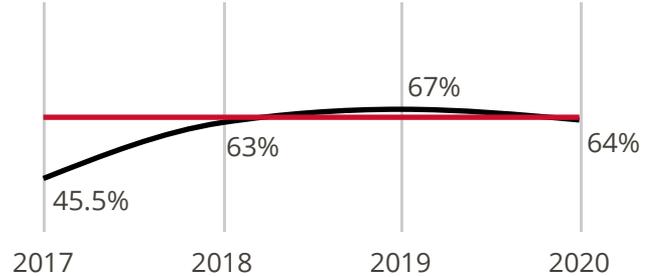
CAO Client Satisfaction



● Actual ● Target - 85%



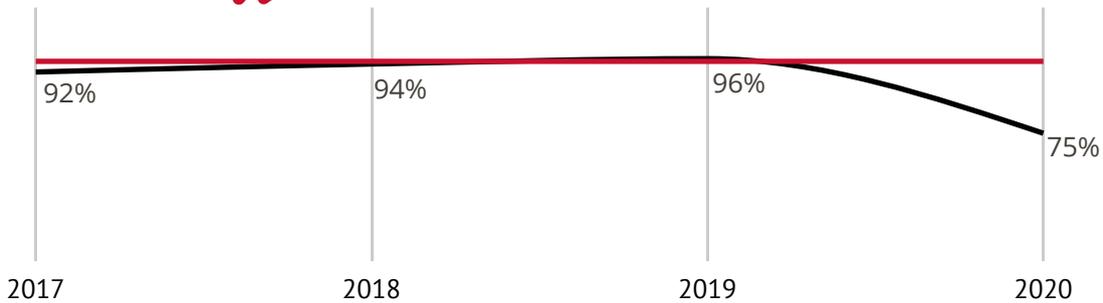
% of Whistle-blower Program Investigations Open < 180 Days



● Actual ● Target - 65%



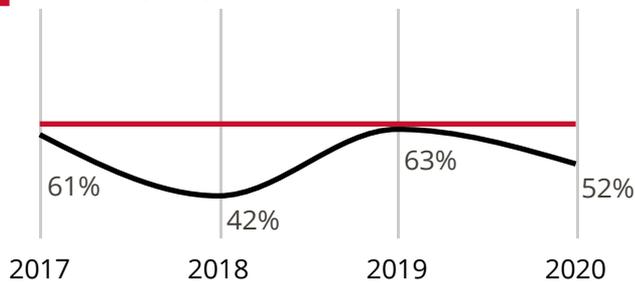
Annual Audit Plan Completion



● Actual ● Target - 95%



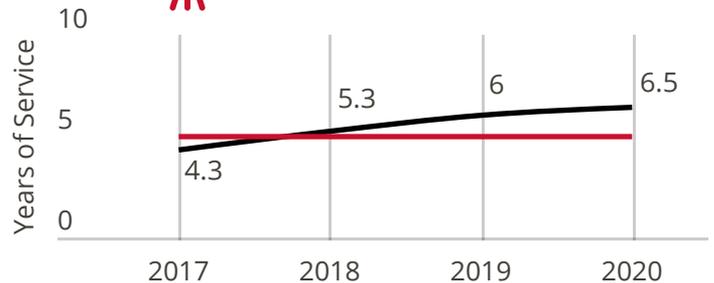
Timely Implementation of Action Plans



● Actual ● Target - 65%



Staff Retention



● Actual ● Target - 5



Responsiveness: The ability to assess and react to current and emerging risks through audit assurance, advisory and investigative services.

2.1 City Auditor's Office Mandate

The CAO is accountable to Audit Committee and Council, assisting them in their oversight and governance role over Administration. We add value and enhance public trust through our independent and objective audit assurance, advisory and investigative work. Our work supports the citizen priority of a Well-Run City.

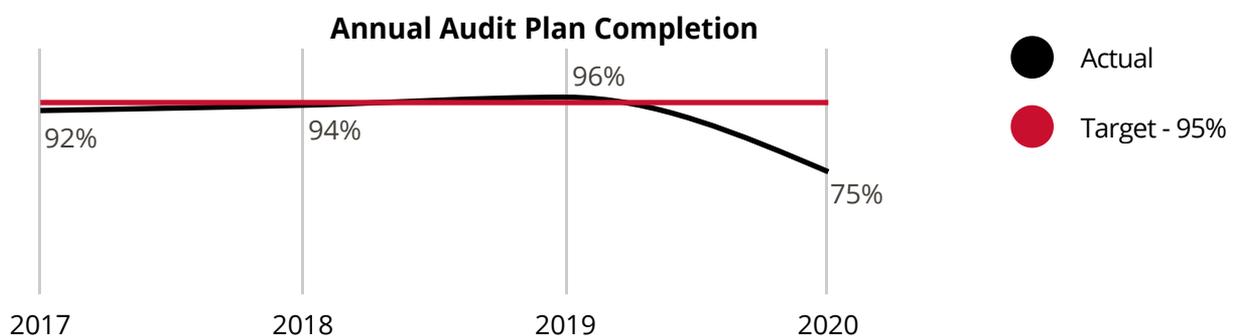
In 2019, members of Audit Committee supported a review of both the Audit Committee Bylaw 48M2012, and the City Auditor Bylaw 30M2004 as part of the approved Audit Committee 2019 Work Plan. The revised City Auditor Bylaw 30M2004 was approved by Audit Committee at the July 23, 2020 meeting. The revisions to the Bylaw provide greater clarity regarding the City Auditor mandate, role, and related processes to ensure that the CAO can continue to deliver our work independently and objectively.

2.2 Audit Services

The CAO Audit Plans are critical deliverables provided to Audit Committee to ensure audit resources are directed to the most significant areas of The City to support our audit mission to add value and enhance public trust. The CAO developed a two-year plan using a risk-based framework, with Audit Committee approval provided for the 2019/2020 Audit Plan on September 18, 2018. The CAO then received approval for the Revised 2020 Audit Plan from Audit Committee on October 24, 2019. The Revised 2020 Audit Plan reflected a deeper understanding of the resource commitment required to effectively conduct the selected risk-based audits in 2020, while also providing capacity to deliver on time-critical internal efficiency initiatives to enhance our resilience and responsiveness.

The CAO tracks the percentage of the Audit Plan completed, based on the schedule established when the Audit Plan is approved. As the COVID-19 pandemic developed during Q1 2020, and The City moved into a State of Local Emergency, the CAO pivoted to conducting audits remotely. Minor adjustments to the 2020 Audit Plan occurred during Q2 either due to specific audit test requirements, front-line service resource limitations, or to address increasing risk concerns resulting from the pandemic and associated environment. These adjustments were communicated to Audit Committee in our Q2 report presented at the July 23, 2020 meeting. We also incorporated into our Audit Plan the completion of the Council Expense audit in response to Council's Notice of Motion C2020-0263.

At year-end, we achieved 75% of our Audit Plan. Moving to conduct audits remotely has led to slightly lengthened audit timescales. In addition, we made an intentional decision to delay recruitment for our vacant senior auditor position until Q1 2021 to support effective recruitment and on-boarding. We are pleased that despite the challenges 2020 imposed on our working environment we were able to finalize nine audit projects during the year, and remain on track to finalize the three remaining 2020 audits during the first half of 2021.



2.3 Advisory Services:

The CAO provides advisory services on an issue or project-specific basis as requested by Administration. The intent of our advisory services is to provide an independent view and insight on current, new, or emerging risks and opportunities facing The City based on our knowledge of best practice on risks, controls, and governance frameworks along with our deep understanding of City strategies, culture, and organization. Our advisory service work does not impede our ability to conduct objective audits at a future date. During 2020, the CAO provided advisory services to a number of areas including:

- The City’s Infrastructure Calgary Steering Committee as an advisory member;
- The City’s Council Expenses Working Group as an advisory member;
- Input to a business unit reviewing internal controls; and
- Input to a business unit updating policies.

The City Auditor supported Council during Q3 and Q4 by providing an interim location for reports to be filed until the appointment of The City’s new Integrity Commissioner. The City Auditor was also a non-voting member of the Audit Committee’s Sub-Committee on Wholly Owned Subsidiaries Governance during Q4.

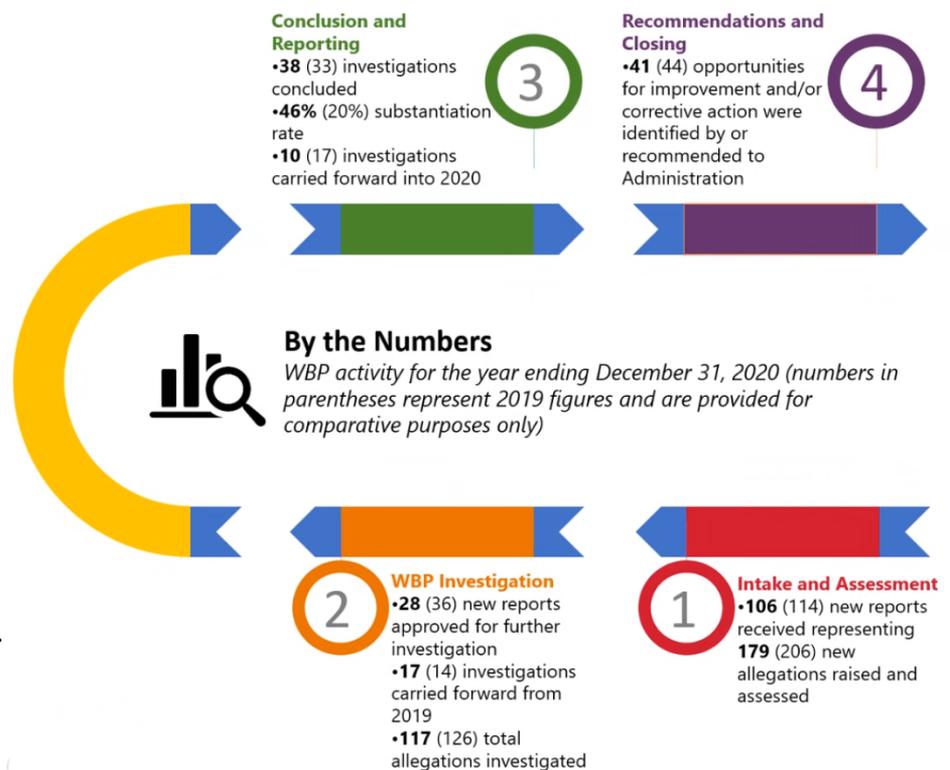
2.4 Investigation Services - Whistle-blower Program

The WBP was established through Council Policy CC026 as a confidential channel to receive and respond to suspected acts of waste and/or wrongdoing, as reported by Calgarians, City employees, or service providers. The WBP operates objectively and independently from Administration, and under the direct responsibility of the City Auditor.

Reporting levels in 2020 were similar to those from 2019, however, with a number of variables, most notably the reporting of concerns related to the COVID-19 pandemic, The City’s response, and employee compliance.

During the pandemic, there was direction and information from multiple internal and external sources, which occasionally resulted in conflicting or unclear expectations.

With the support of the City Manager’s Office, these reports, which were assessed as not requiring investigation, were referred to senior leaders in Administration as opportunities to clarify messaging and/or to reinforce expectations to ensure a safe workplace for all employees during the pandemic.



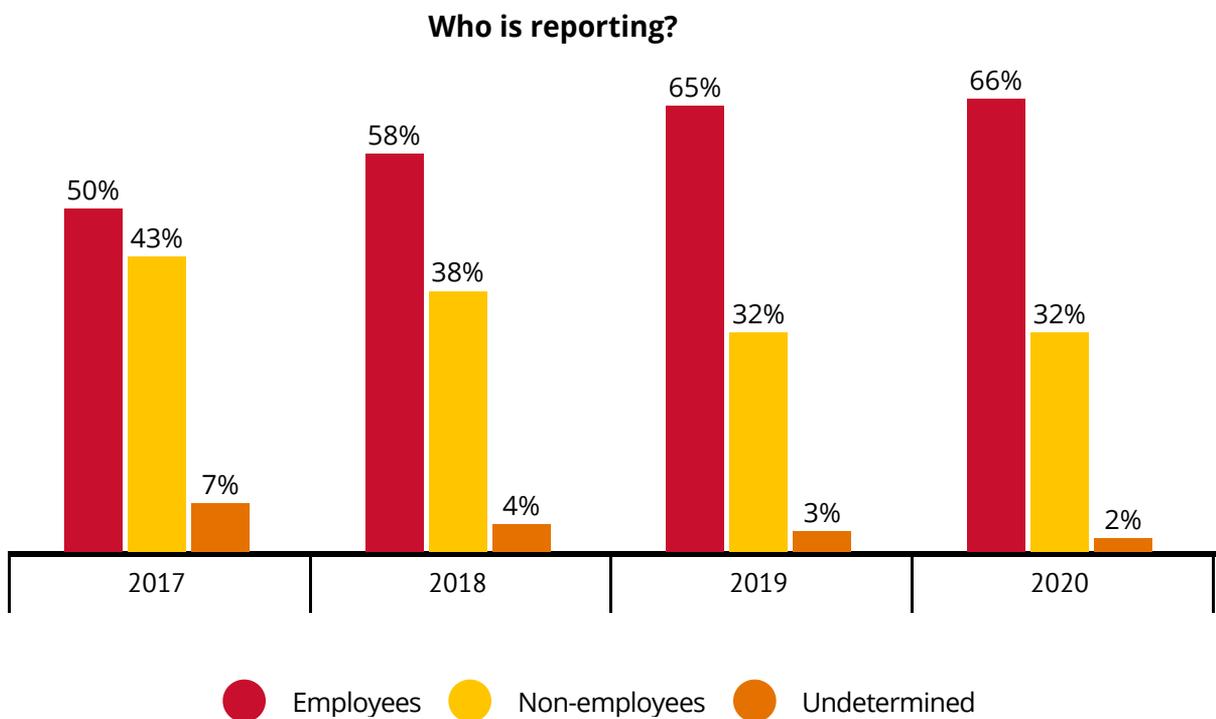
2.4 Investigation Services - Whistle-blower Program (continued)

Proportionally, more employees utilized the WBP to raise concerns of potential waste and/or wrongdoing in 2020 than in past years, while non-employee reporting has remained relatively unchanged from recent years.

Employees have historically accounted for approximately 54% of all reports received by the WBP. In 2020, employees reported 66% of all concerns, the seventh consecutive year-over-year increase in WBP utilization by employees.

Increased reporting activity by employees is considered a positive indication that employees across the organization have awareness of the WBP and how to report concerns, anonymously where appropriate, and feel empowered to do so. Consistent messaging to staff by Administration regarding employee behaviour expectations and options to report inappropriate activity promote reporting through all available reporting channels including the WBP.

The increased use also demonstrates employee confidence concerns reported to the WBP will be investigated in an objective and appropriate manner.



"I thought I would touch base with you and let you know the problem has been fixed. Thank you very much on behalf of many employees here. You made our work area a better place."

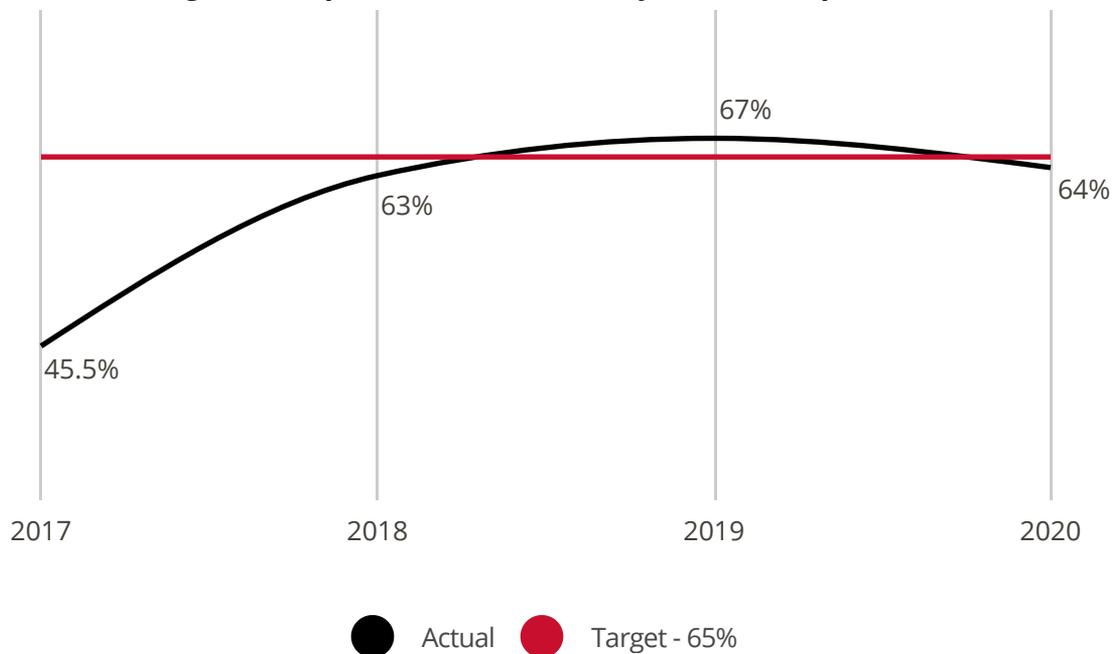
Reporting Employee,
Whistle-blower Program Investigation

Investigation Closing Rates

A key measure of responsiveness for the WBP is the average time an investigation is considered open. An investigation is considered open from the date a recommendation for investigation is approved by the City Auditor, through to the signing off of an investigation report. The duration of an investigation is determined by a number of variables including: the number and complexity of allegations investigated; the availability of supporting records and information; the number and availability of witnesses to be interviewed; the availability of investigative resources; and the prevailing risk exposure to The City for unconcluded allegations.

Recognizing that each investigation has its own complexity and risk exposure, the WBP strives to close investigations within six months, 65% of the time, as aligned with our One Calgary accountability targets. Investigations completed within the 6 month target ranged from 22 to 178 calendar days.

% of Investigations Open Less Than 180 Days - WBP Responsiveness Measure



In the early months of 2020, a reduction in the availability of investigative resources and our response to the COVID-19 pandemic contributed to a decrease in the efficient completion of some investigations.

However, procedural enhancements and efficiencies applied to the WBP in recent years contributed in minimizing the overall impact, and continued to support year over year improvement in the timely assessment and response to concerns reported, resulting in:

- No increase in the number of outstanding investigations aged greater than one year compared to 2019;
- 28.5% reduction in the average number of calendar days required to complete investigations compared to 2019, representing a fourth consecutive annual decline; and
- A 41% reduction in the number of open investigations being carried forward into 2021 compared to the number carried into 2020 from 2019.

Risk Reduction: Audit, advisory and whistle-blower recommendations cost-effectively address risk and are implemented in a timely manner.

3.1 Audits Completed

During 2020, we issued eight audit reports, and a further report on a continuous auditing project (for further information see page 17 of this report). Our audit reports included 25 recommendations, focused on mitigating high or medium risks to which Administration provided 30 action plans.

2017 Municipal Election Follow-up Audit - AC2020-0196

The 2018 audit on the 2017 Municipal Election process identified significant contributing factors that led to increased voter wait times, voting station accessibility concerns, and delays in the reporting of election results on election day. In concluding the 2018 audit the CAO committed to a follow-up audit of Elections and Census management action plans to improve the election day process.

Why we did this:

The objective of this follow-up audit was to determine whether management action plans were completed for all four recommendations raised in our 2017 review and whether planned election processes were effectively designed to mitigate the following election day risks:

- Insufficient initial ballot supply;
- Voting station facilities not having accessibility, space, and parking available that meet stakeholder expectations;
- Inadequate allocated staff to support the voting process and facilitate timely voting; and
- Delayed reporting of election day results.

"Helpful recommendations and authentic leadership style."

*Andrew Brouwer,
Deputy City Clerk*



What we concluded:

We were able to determine that all management action plans were complete, and the design of planned election processes effectively mitigated the underlying risks identified. In addition, many of the action plans were implemented ahead of the September 30, 2019, original commitment date and were in place for the 2026 Olympic Bid Plebiscite held on November 13, 2018.

Why it matters:

Our follow-up audits deliver value to The City by providing independent assurance on on-going risk mitigation. This follow-up audit demonstrated that management action plans based on our recommendations were complete which will improve the future election day processes underpinning voter wait times, accessibility, and the improved reporting of results.

Corporate Issue Management Program Audit - AC2020-0297

The purpose of the Corporate Issue Management Program (CIMP) is to provide a consistent approach to the prevention and management of issues. An issue is a gap between stakeholder expectations and The City's performance or actions. The CIMP is unique among municipalities, and provides detailed steps to employees on how to identify, prioritize and resolve issues.

Why we did this:

The objective of this audit was to assess the effectiveness of the CIMP in timely escalating significant issues to senior management for appropriate action. The audit focused on the operation of the CIMP for the first seven months of 2019.

What we concluded:

The design of the CIMP was effective as it enabled the regular discussion of high-priority issues and established a clear process to manage issues. However, we identified a concern with operating effectiveness due to inconsistent compliance with the CIMP across the organization. In response to our recommendation, the City Manager and the City Solicitor agreed to undertake a strategic review of the CIMP program in partnership with the General Managers to consider alternative approaches and make and approve recommendations for the program going forward.

Why it matters:

Issues can have significant impact to the corporation (in terms of costs, opportunities and/or reputation) and can be high profile with both public and media interest.

"You all did a great job – I believe your work will definitely help improve the program!"

*Jill Floen,
City Solicitor*



Operating Budget Management Audit - AC2020-0343

Budget management and a comprehensive budget monitoring process are essential governance components and are integral to The City's ability to provide transparent disclosure of the effectiveness and efficiency of tools and processes utilized.

Why we did this:

The objective of this audit was to assess whether The City effectively monitored and managed operating budget to appropriately mitigate key financial and reputational risks. We did this by assessing the effectiveness of processes and tools utilized against The City's expectations of budget management and the Government Finance Officers Association's Best Practices of Budget Monitoring published March 2018.



What we concluded:

Our results confirmed The City's operating budget management and monitoring practices were in place and generally aligned with the seven Government Finance Officers Association's Budget Monitoring Best Practices which mitigated the key risks. However, we identified two areas to be strengthened for The City to have a comprehensive budget monitoring practice:

- Who is responsible and outlining roles; and
- Communication.

Finance committed to addressing recommendations by the end of 2021.

Why it matters:

The City's 2019 Council Approved operating budget was \$4,027M to support the 61 services delivered by The City. Two key risks could arise from ineffective operating budget management:

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

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

Roads Pothole Remediation Audit - AC2020-0408

Repairing potholes is a major part of Roads' continual maintenance of City roadways. This work is essential in keeping traffic moving safely throughout The City. Every year approximately 16,000 potholes are filled by Roads on Calgary's paved streets and lanes. Repairs take place throughout the year with the majority occurring between April and September.

Why we did this:

We assessed whether Roads designed and implemented effective processes to support the timeliness and quality of pothole repairs. We focused on 2019 remediation activity that occurred up to September 30, 2019.

What we concluded:

Roads used varying prioritization and quality practices across districts that generally supported effective pothole remediation. Given the importance of road maintenance to citizens and the likely increase in demand for pothole repairs, due to aging and expanding Roads infrastructure, we raised four recommendations that will improve the effectiveness and efficiency of pothole processes.

These recommendations, once implemented, will also establish processes which will continue to support timely and quality pothole repairs in future years. Roads committed to fully implementing these recommendations in time for the 2021 summer maintenance season.

Why it matters:

In the 2019-2022 One Calgary Service Plans and Budgets, Calgary's 2019 citizen satisfaction survey consistently showed infrastructure, traffic, and roads at the top of citizens' issue agenda. Specifically, the Roads annual survey showed low satisfaction for pothole repair (45%). The 2019-2022 One Calgary Service Plans and Budgets also indicated that pavement represents a replacement value of over \$9.8B.



"I would like to thank you and your team for their hard work in developing the Pothole Remediation Audit. Through this collaboration we achieved an effective evaluation of our processes and explored new opportunities that will enhance the citizen experience."

*Troy McLeod,
Director, Roads*

Calgary Fire Inspections Audit - AC2020-0621

Calgary Fire Department identified increased fire safety risk associated with higher-risk buildings due to reduced maintenance on building life safety systems, increased vacancy rates, and aging infrastructure.

They responded by introducing the Risk-Based Inspection (RBI) Program and Apartment Building Compliance Program (ABCP). The ABCP would have required upgrades to pre-1974 apartment buildings, which were not built to a uniform fire code, to improve fire safety. However, as the province withdrew the 1996 fire code ruling the ABCP upgrades relied on, the ABCP did not proceed. Pre-1974 apartment buildings continued to be inspected as part of the RBI Program.

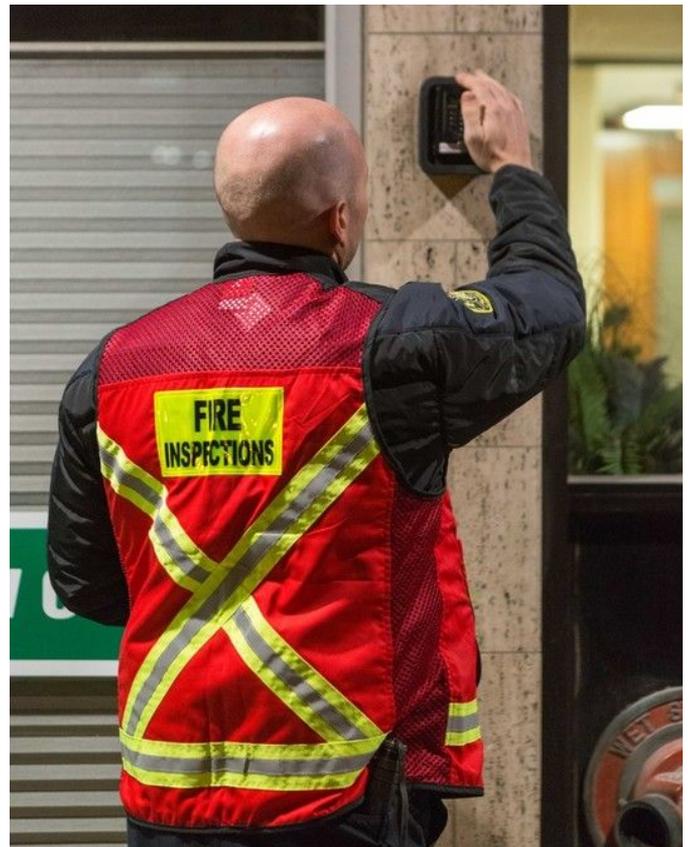
Why we did this:

We conducted this audit due to the importance of Fire Inspections and Enforcement in supporting Council's priority of A City of Safe & Inspiring Neighbourhoods by preventing fires and saving lives. The objective of the audit was to assess the effectiveness of the RBI Program in mitigating the fire safety risk associated with higher-risk buildings.

What we concluded:

We conducted data analysis to evaluate the contribution the RBI pilot made to public safety in 2019 and observed the pilot was a positive step. Fire Inspections successfully targeted a high-risk occupancy classification and resolved significant violations.

We determined greater focus and effort were required to ensure the program effectively addressed public safety through improved RBI coverage and identification and prioritization of high-risk buildings. In addition, although Fire Inspections understood the impact of code changes on their ability to require building upgrades to mitigate fire safety risk, a formal process was not in place to assess and communicate these regulatory risk exposures.



Fire Inspections agreed with all seven recommendations raised, committed to implementing action plans no later than the end of the year 2021, and implemented five action plans due in 2020.

Why it matters:

Our recommendations are intended to improve the RBI Program and the future dynamic model to support Fire Inspections' mandate of preventing fires and saving lives.

"As a first time through a City Audit process, I found it to be very thorough and direct to the main issues. The Audit team was very attentive to our concerns and we will action their recommendations and become a better business unit because of them."

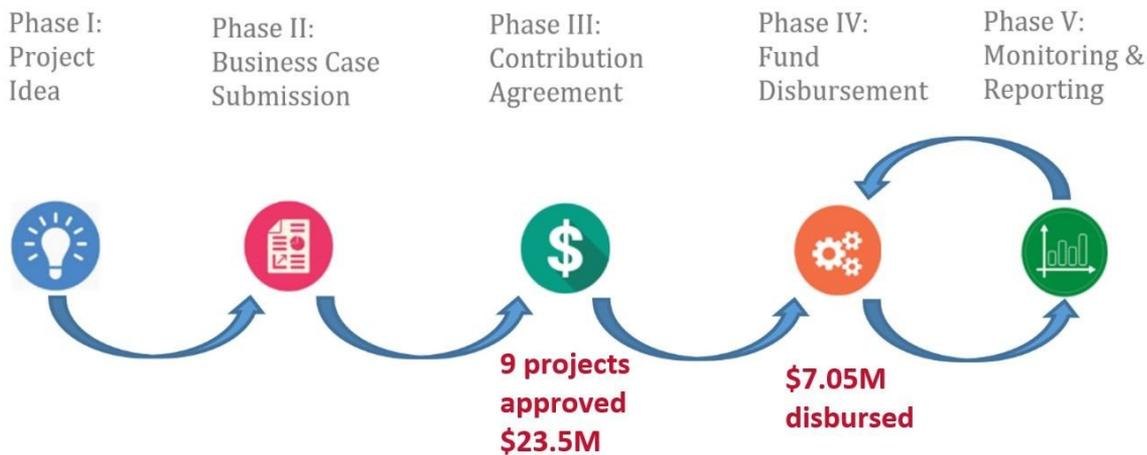
*James Robinson,
Fire Marshal, Calgary Fire Department*

Opportunity Calgary Investment Fund Administration Audit - AC2020-0764

In 2017, in response to prolonged economic challenges, Council approved the establishment of a \$100M Opportunity Calgary Investment Fund (OCIF Reserve) to stimulate growth in targeted sectors of Calgary's economy. In 2018, Council approved the creation of Opportunity Calgary Investment Fund Ltd. (OCIF), a wholly-owned subsidiary, to administer the OCIF Reserve effectively.



The fund administration process consists of five main phases:



Why we did this:

The objectives of the audit were to assess the alignment of OCIF's fund administration process to OCIF Reserve goals, and the effectiveness of OCIF's fund administration process by evaluating the design and operating effectiveness of key process controls that mitigate significant financial and reputational risks.

What we concluded:

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 Phases II-IV and designed effectively in Phase V. We could not conclude on the operating effectiveness of Phase V processes since final reports were not yet due for submission. We raised five recommendations to improve processes through increased use of quantifiable scoring parameters and consistent document management of key decisions in Phase 1, as well as additional governance controls to manage potential conflicts of interest. OCIF management agreed with our recommendations and implemented all action plans in 2020 demonstrating their commitment to effective fund administration processes.

Why it matters:

This audit provided assurance on the effectiveness of OCIF's fund administration process to facilitate decision-making regarding utilization of the \$100M OCIF Reserve. Improvements we recommended will improve the consistency and transparency of OCIF's evolving fund administration processes and help mitigate significant reputational and financial risks.

Assessment Complaints Audit - AC2020-1170

Each year, Assessment issues notices to property owners to review their property assessment for accuracy and fairness. If the property owner has a dispute with the assessment value, the first step is to speak to a City Assessor regarding any disagreement/questions/comments. If consensus cannot be reached and the property owner still disagrees with the assessed value, a formal complaint can be filed with the Assessment Review Board (ARB), an impartial tribunal that hears and resolves assessment complaints brought forward by property owners.

Why we did this:

The objective of the audit was to assess the effectiveness of the processes that Assessment implemented during 2019 and 2020 to minimize the risk of complaints increasing in volume.

What we concluded:

Since 2017, Assessment has taken steps to reduce the volume of complaints on a year-over-year basis by implementing changes to enhance customer experience and reflect a collaborative culture including updating their mandate and Notice of Assessment and creating a new Customer Strategy Group. From 2017 to 2019, the total number of complaints filed with ARB fell by 25%.

We identified two further improvements to processes required to support Assessment's goal to further reduce the risk of increased complaints. Assessment implemented action plans to address these recommendations by December 2020, which illustrates their ongoing commitment to collaborating with property owners and to support their objective of preparing fair and equitable assessments that exceed legislative and industry standards.

Why it matters:

Assessment is responsible for preparing assessments for over 544,000 property owners with a total assessed value of \$301B. In 2019, Assessment spent \$1.27M preparing and attending ARB hearings, an average cost of \$1,302 per hearing attended. Property owners also incur costs filing complaints with ARB and attending hearings. In addition, there is a reputational impact to Assessment where it may appear to property owners that an ARB decision in favour of a complainant indicates a lack of confidence in the assessment process.

"Your work has helped highlight the improvements we have made over the past number of years as well as help identify areas where we can do better. Not only will the recommendations help improve overall citizen/property owner experience with The City but will also help The City mitigate financial, reputational and operational risks."

Eddie Lee, Acting Director/City Assessor



Council Expense Audit – C2020-0658

In response to Notice of Motion C2020-0263, the CAO conducted an audit of Council expenses incurred by all Wards (excluding Ward 2) and the Mayor's Office, representing expenditures incurred in each year of the present Council's term of office.

Why we did this:

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



What we concluded:

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

- Clarity of expense policy requirements; and
- Supporting governance processes, including:
 - o Independent authority to approve, enforce and escalate policy compliance;
 - o Timeliness of submission; and
 - o Training and orientation to ensure expectations were consistently understood.

Why it matters:

This audit supported accountability and transparency regarding the utilization of public funds by elected officials, and supports an ongoing strong ethical culture at The City.

3.2 Data Analytics Program Update

Data analytics is a key component of the CAO. The objectives of the data analytics program are to provide deeper insights into City systems, to identify control deficiencies, and improve the efficiency, effectiveness, and levels of assurance that can be provided in an economic manner. Data Analytics also improves The City's ability to be responsive to changing risks.

The CAO's overall data analytics initiative was endorsed by Audit Committee in 2016. Since that time, new data analytic tools have been implemented, more than 75 scripts have been developed, three CAO dedicated resources have been allocated and preparation has occurred to confidently launch the following three services that expand our offerings:



Continuous Auditing

Continuous auditing provides an ongoing assessment of compliance and risk/control effectiveness. By using data-driven indicators of risk and electronic testing of controls, we provide Administration with ongoing independent assurance that focused control systems are working effectively, and risk is appropriately managed through compliance. This assists Administration in their oversight to identify areas where internal controls may be inadequate and enhance a risk-control mindset.

In 2020, we successfully launched our first continuous auditing project looking at corporate credit cards. We utilized Power BI, to create an interactive web-based scorecard that automates monitoring against ten compliance metrics with the functionality to drill down to additional reports for greater detail.

The continuous auditing project was successful from the perspective of both Administration and the CAO. Administration indicated they found our reporting provided insight that guided opportunities for improving compliance and operational efficiency. To enhance collaboration, we also shared this scorecard with Administration so they can use this tool for control monitoring.

Risk Based Analytics Reporting

This auditing service is guided by new or escalating risk areas, and answers, based on a deep-dive analysis of data, whether Administration's specific objectives and outcomes are being achieved through effective risk management. This new methodology provides greater agility and improved timeliness in reporting.

Data Analytics Advisory Services

This service supports Administration's data analytic advisory requests, as well as continuing to utilize data analytic tools to enhance the efficiency and effectiveness of our risk-based audits, and investigations related to the delivery of the WBP.

3.3 Audit Recommendations

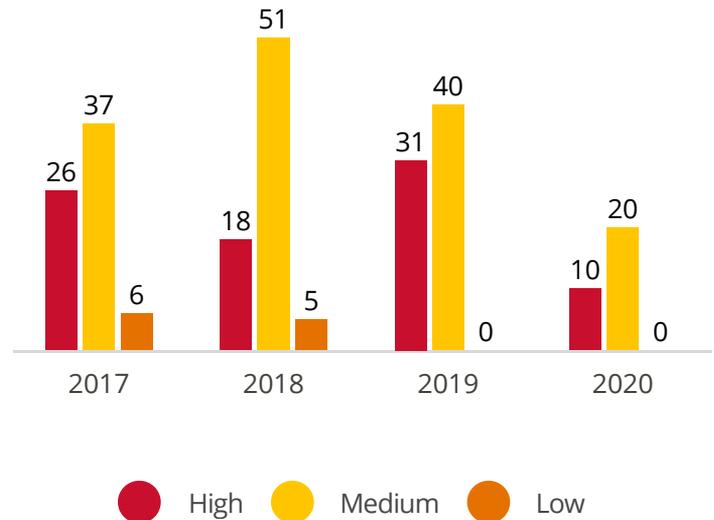
The CAO takes a risk-based approach throughout the execution of audits. Each audit focuses on key risks to the achievement of Administration’s objectives, which supports meeting City priorities. With Administration’s input, identified risks are ranked from high to low based on the impact and likelihood should the risk event occur. Where audit testing determines existing processes and controls result in unmitigated risk exposure (i.e. residual risk), audit recommendations are raised for Administration to respond with defined action plans.

Our audit recommendations intentionally focused on high and medium residual risk exposure, which assists Administration to prioritize resources on areas of greater importance and value. This approach reinforces the importance of effective risk management and decision-making utilizing a risk-based approach.

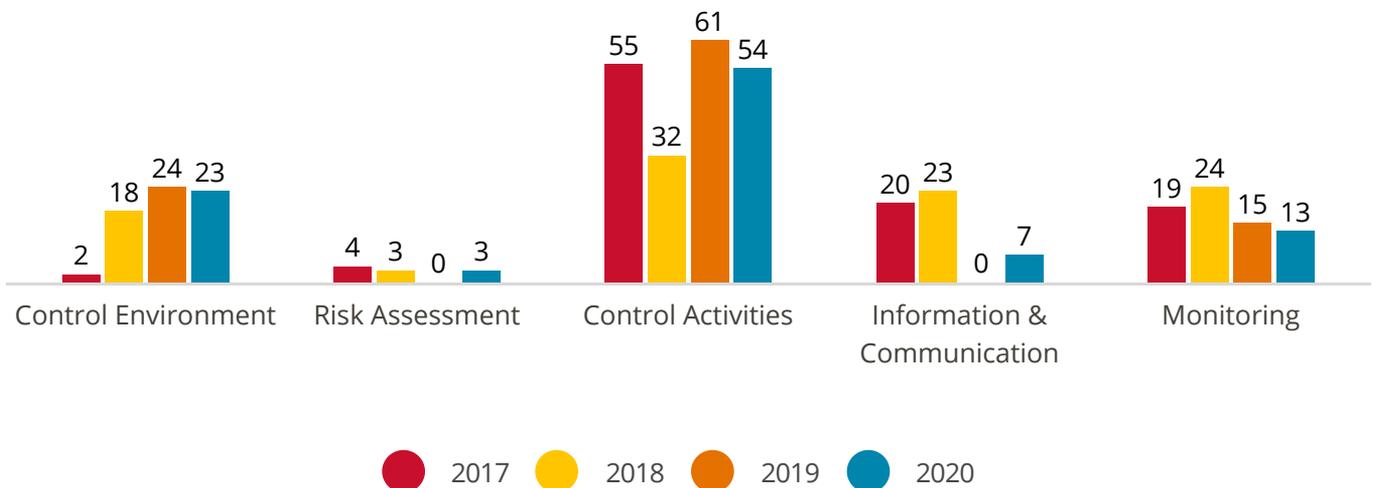
The CAO provides independent assurance regarding the effectiveness of governance, risk management, and internal control. The COSO Internal Control Framework is a widely accepted framework that outlines the principles and components necessary for an organization to effectively manage risks by implementing internal controls. The CAO categorizes recommendations into the five fundamental COSO components to identify potential trends and provide Administration with additional insight into the effectiveness of internal controls.

Over the last four years, the CAO has consistently raised recommendations focused on embedding and enhancing effective control activities, which we view as a positive outcome of our risk-based audit process. We evaluate all COSO components when raising recommendations to Administration and focus on practicality, cost efficiency, addressing root cause, and mitigating future business risk to an appropriate risk tolerance.

of Action Plans by Risk Level



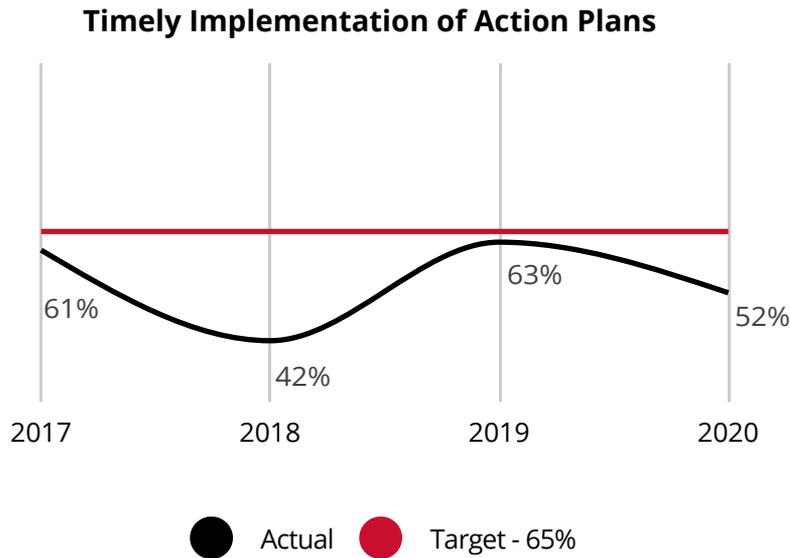
Recommendation by COSO Element (%)





3.4 Implemented Recommendations

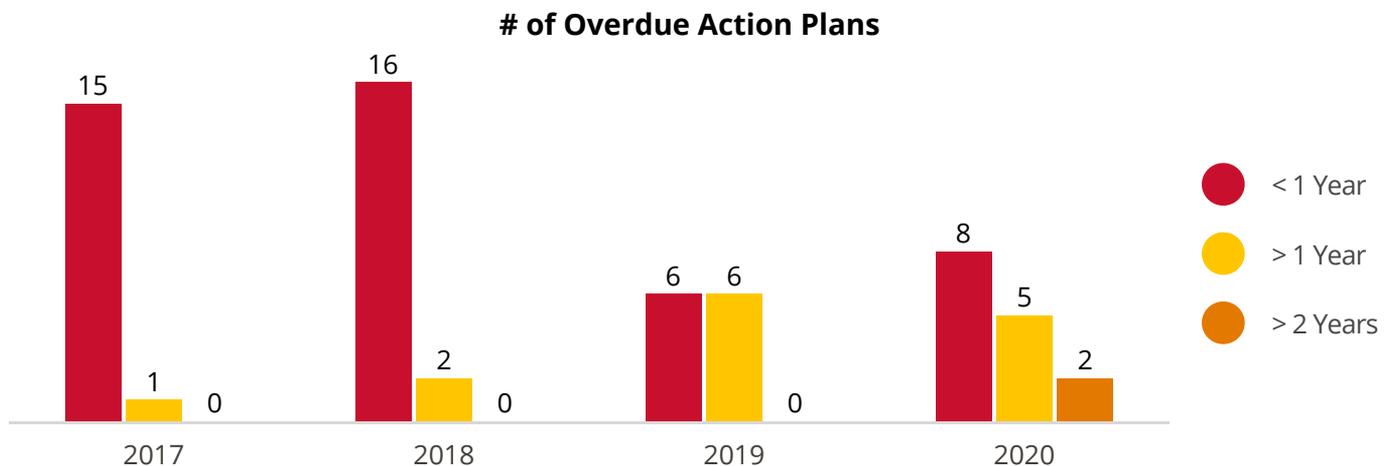
The CAO tracks the timely implementation of action plans quarterly. Results frequently vary from quarter to quarter as Administration’s commitments can be impacted by other City priorities, initiatives, and projects. Our tracking noted a sharp decline in timely implementation in Q2 followed by increasing improvement in Q3 and Q4, which reflects Administration’s prioritization of resources to focus on the COVID-19 pandemic response.



In 2020, Administration implemented 35 action plans, the majority of which were medium (57%) and high (37%) risk.

At year-end, there were 48 outstanding action plans compared to 53 in 2020. Of these, 15 were considered overdue (12 in 2019) since Administration required more time to fully implement action plan commitments. There was an eight percent increase in the number of overdue action plans this year. In addition, for the first time in three years, there were action plans overdue by more than two years. We believe this is a result of the COVID-19 pandemic.

We will continue to support Administration’s commitment through quarterly monitoring of action plans and assessment of residual risk, particularly on those action plans that are outstanding for more than one year.



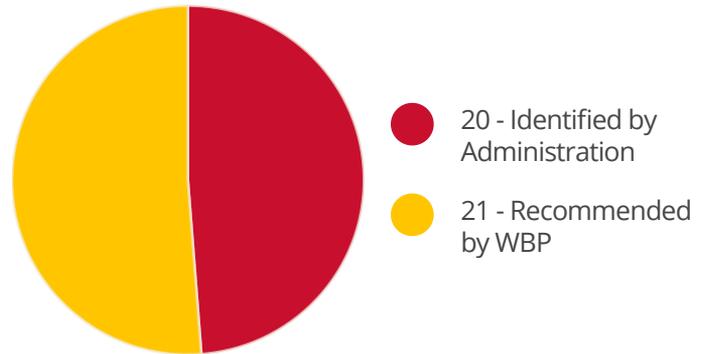
3.5 Whistle-blower Investigation Recommendations

Being more than an investigative body tasked with responding to reports of suspected acts of waste and/or wrongdoing, the WBP provides additional value by identifying root causes of issues reported. By recommending timely corrective actions to Administration, causal issues can be reviewed at either the business unit level or more broadly across the entire organization, and, as necessary, corrected in support of mitigating against recurrence of similar activity. Identifying and correcting root causes is a valuable component of a successful employee reporting program and is reflected in our WBP policy.

Our recommendations are opportunities for improvement and are provided to assist Administration in correcting behaviour as well as deficient processes which may have contributed to an activity investigated.

Recommendations were identified in 56% of investigations concluded in 2020. During the year, 21 new recommendations were raised by the WBP, 19 of which were completed by Administration prior to year end (90%).

41 Corrective Actions from Completed Investigations



In the course of regular follow-up with Administration, a total of 27 recommendations raised by the WBP were closed in 2020. Outstanding recommendations relate to issues not considered high risk to the organization and the WBP will continue to monitor their completion status.

Where investigation identifies broader, or systemic issues, these are raised appropriately with senior Administration leadership and result in organization-wide corrective action recommendations. A summary of each investigation resulting in a corrective action is disclosed on our webpage at: www.calgary.ca/whistle, which is updated on a quarterly basis. The identifying information of individuals or business units involved is excluded as per our commitment to reporter protection and privacy.

Individual investigation summaries shared on the WBP webpage may have multiple corrective actions which are not detailed or itemized. The publishing of allegations and investigative findings and corrective actions supports WBP transparency, accountability, and The City's commitment for appropriate response and action.



Reliability: Audit, advisory and investigative services add value and are effectively completed by skilled, experienced professionals.

4.1 Audit and Advisory Professional Work Standards

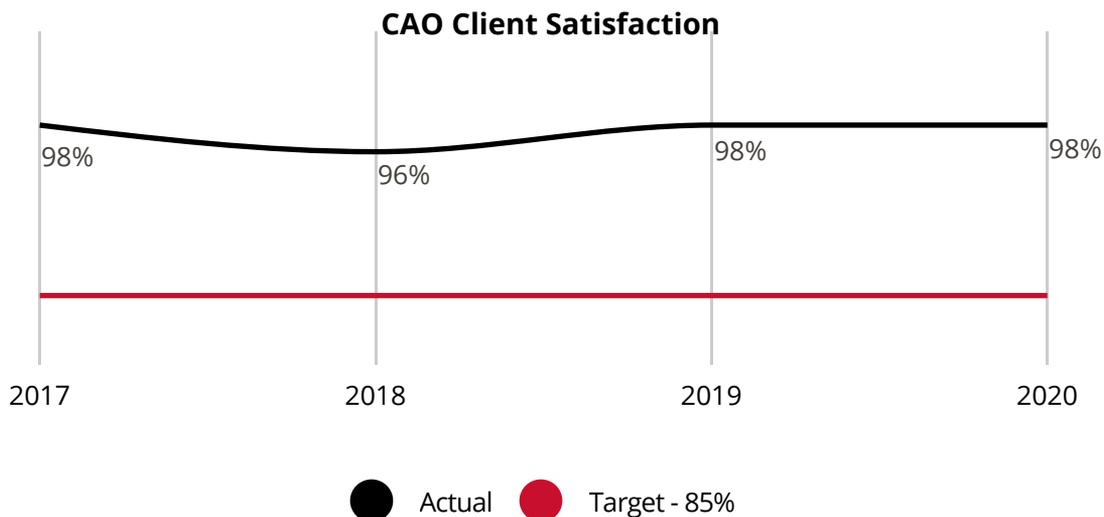
The CAO conducts its audit and advisory activities in conformance with the Institute of Internal Auditors' (IIA) International Standards for the Professional Practice of Internal Auditing (Standards). The Standards require the implementation of an internal quality program. Our internal quality program was conducted throughout the year, and included the completion of:

- Quarterly audit file peer reviews (by an auditor not involved in the audit);
- Quarterly KPI monitoring;
- Post-audit lessons learned exercises and client surveys; and
- Periodic review and update of key audit processes.

The internal quality activity evidenced conformance to standards, and opportunities for further process improvements were incorporated into updates of procedures and practices. As part of this activity, the CAO confirms the continued organizational independence of its operation.

Client Satisfaction Survey

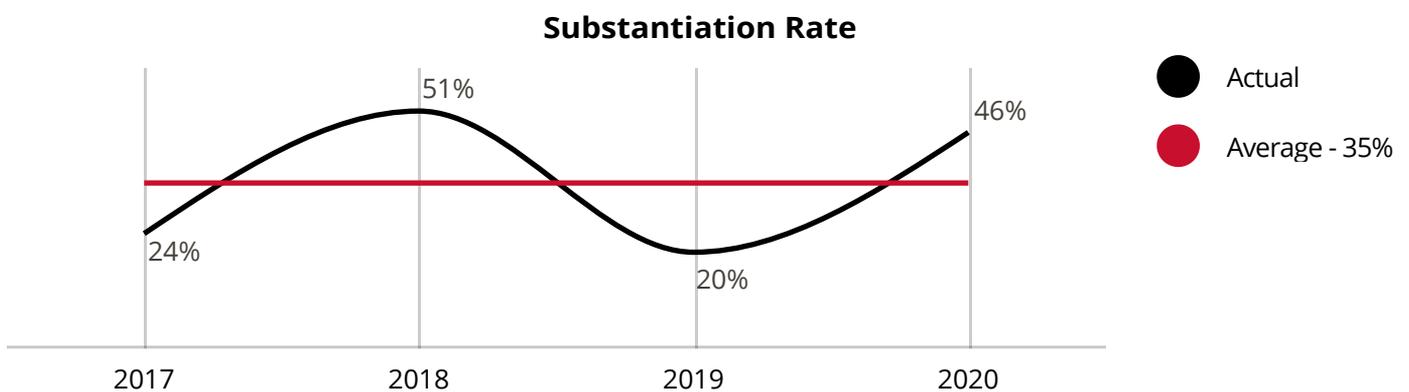
The CAO requests Administration's feedback at the conclusion of each audit project through a survey of ten questions focused on audit delivery and audit value. Seven client surveys were received during 2020 covering eight audits, with a response rate of 63%. The decrease in response rate from 70% in 2019 likely reflects the additional pressures faced by Administration during the COVID-19 response and the State of Local Emergency.



4.2 Whistle-blower Investigation Practices

Whistle-blower investigations are executed in alignment with best practices and the codes of conduct of the Association of Certified Fraud Examiners and Association of Certified Forensic Investigators of Canada. Quality reviews are conducted on all completed investigations. At the end of 2020, a one-of-a-kind external assessment of WBP procedures, conducted by experts in the field of workplace investigations, was underway and is scheduled to be completed in Q2 2021.

WBP assessment procedures applied to each report received to determine whether the allegations raised by employees and Calgarians merit further investigation. Only an investigation can determine whether an activity as reported is substantiated. The substantiation rate of investigations completed in 2020 was 46%, above the four-year average of 35%.



While attaining a high substantiation rate is not an objective of the WBP, a higher rate can be an indicator of an informed reporter who, familiar with what constitutes a breach or violation of policy or procedure, submits a timely and specific report which is critical in investigating allegations.

Additional factors contribute to substantiation rates including: timely reporting of allegations; quality of information provided in support of allegations; transparency within an organization regarding decision-making; the number of allegations investigated, and the standard of proof applied to investigations.

Sensitive Reports

WBP procedures require all whistle-blower reports involving any staff member of the CAO to be assessed independently by the Chair of Audit Committee. Reports submitted online and identified as sensitive are received directly by the Chair for confidential review, bypassing staff associated with the WBP. If the Chair determines a report does not involve a staff member of the CAO, the Chair may redirect the report to the WBP for assessment. Reports identified as sensitive and not redirected to the WBP are not included in any statistics reported.

The Chair confirmed that sensitive reports received in 2020 were appropriately assessed and are considered closed.

Whistle-blower Protection

Any City employee who identifies themselves and reports a concern to the WBP in good faith is entitled to protection against reprisal. City employees who believe reprisal has occurred are encouraged to contact the City Auditor. No suspected acts of reprisal were reported to the City Auditor in 2020.

4.3 Professional Designations & Training

The foundation of the CAO is the professional skills and knowledge of the staff. To run effective audits, advisory projects and investigations, a range of complementary professional designations enhances the team’s effectiveness. All staff conducting audits, advisory and whistle-blower investigations have at least one of the Certified Internal Auditor, Certified Information Systems Auditor, Certified Fraud Examiner or Certified Forensic Investigator designations.

Professional Designation	Number of Staff
Internal Audit	11
Fraud	4
Accounting	8
IT	5
Project Management	2

4.4 Staff Training

Staff need to continually build knowledge and skills to keep current on best practices, and support succession planning. Individual learning and development plans are developed at the beginning of each year for each staff member that balance training needs, budget, and resource constraints.

As we value the importance of staff training, we monitor the completion of these plans. During 2020, professional organizations and training providers either moved to a virtual platform or in a couple of instances cancelled in-person training, which is reflected in the slightly lower % completion of planned training than achieved in prior years.



In September 2020, the IIA Canadian National Conference was held virtually and three of the CAO team supported the delivery of this annual event; two volunteering as speakers, and one supporting the organization of the public sector speaker lineup. In addition, during 2020, two of our team contributed personal time to give back to their professional peer community through volunteering as a Board member of IIA Canada or as a Sub-committee Chair of the Association of Local Government Auditors.

Resilience: Establish and maintain structure and protocols, which provide adaptability and agility, to ensure the continued delivery of City Auditor's Office services.

5.1 Budget

The CAO strives to provide the highest level of independent and objective assurance, advisory, and investigative services within our Council-approved budget. Our approved 2020 annual budget includes costs associated with completing audit, advisory and investigative services.

Most of the CAO budget represents salary and associated costs for the professional team. The CAO generally maintains funding within its budget to enable the office to hire subject matter experts to evaluate specialized risk areas or provide specific knowledge. In 2020, we did not utilize contract resources budgeted at \$4,000.

The CAO did not fully utilize the 2020 salary budget due to staff absences and position vacancies. We intentionally postponed recruitment for a senior auditor vacancy to 2021 to support The City's response to budget challenges.

(\$'000's)	2018 Annual Budget	2018 Actual	2019 Annual Budget	2019 Actual	2020 Annual Budget	2020 Actual	Variance
Salary	2,619	2,424	2,684	2,585	2,764	2,477	(287)
Tools & Technology	125	118	120	108	130	166	36
Training	65	51	52	56	56	20	(36)
Professional Memberships	18	17	18	21	18	19	1
Contracted Services	21	18	0	10	4	0	(4)
Employee Recognition	0	0	3	1	3	0	(3)
Office Operating Costs	66	54	57	56	49	46	(3)
Total	2,914	2,682	2,934	2,837	3,024	2,728	(296)

5.2 Business Continuity

The purpose of business continuity is to ensure City services can be delivered in the event of a disruption caused by emergencies. In March 2020, we utilized our CAO Business Continuity Plan to pivot to remote working with immediate effect. The CAO Business Continuity Coordinator worked alongside Business Continuity Coordinators from all business units across The City during both States of Local Emergency to participate in weekly meetings and service capacity reporting.

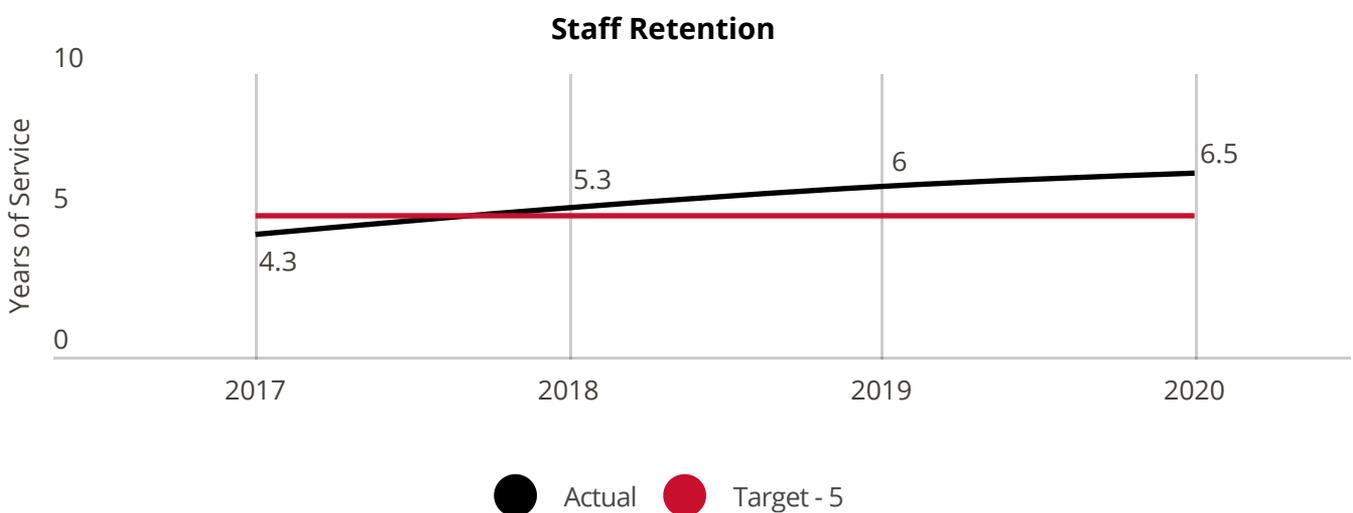
Following the first 2020 State of Local Emergency we also further updated our Business Continuity Plan to reflect our ability (following process revisions) to complete investigations primarily through remote working.

5.3 Staff Engagement and Retention

Our commitment to our staff and the work we do every day is an essential part of our accountability, mission, and mandate as an effective audit team that provides transparency and consistent delivery of excellent services and value-added advisory and investigatory services. The City conducts a bi-annual employee survey to measure engagement. The CAO has maintained consistently high scores in all of the key drivers to support employee engagement and retention.

In addition, all members of the CAO are invited monthly to anonymously record how they feel about their work as an important internal indicator of team well-being. During 2020, team engagement remained at consistent levels despite the additional challenges faced through the pandemic. An anonymous quote from a CAO team member received in November 2020 indicated: "Our strong team makes these difficult times easier to handle."

We track staff retention on an annual basis. Our target of an average of five years of service or higher reflects the need for staff to have an in-depth knowledge of The City to consistently deliver according to internal standards and provide value-added advice. At the end of 2020, our staff had an average of six and a half years of service within the CAO.



5.4 Software Update

The CAO has been using the audit software, TeamMate, since 2005 to plan, conduct and store the results of audits. Utilizing audit software supports resilience and reliability in our audit processes as well as enhancing our office productivity, reporting, and monitoring capabilities. The TeamMate version we previously utilized is being phased out making it necessary to transition to TeamMate+, an upgrade of the software, which features a cloud-based format. TeamMate+ provides benefits specific to the operation and delivery of audit service including:

- Audit planning, test documentation and results reporting;
- Audit risk universe, scoring and trending management;
- Audit observation and recommendation tracking; and
- Reporting tools and surveys.

During Q4 2020, preparation for transition was completed in conjunction with the owners of the software, and training completed on the new software by all audit staff. The audit team moved onto the new software in December 2020. While this represented a short-term interruption to our audit work, the new software provides continued efficiency benefits as well as storage cost savings and enhanced reliability.

Looking for more Information?

Visit our website at www.calgary.ca/auditor to find more information and to read our audit reports. You can also learn more about the WBP at www.calgary.ca/whistle